

WORLD NEWS

Kiriyenko rejected for second time

By Charles Clover and Arkady Ostrovsky in Moscow

President Boris Yeltsin yesterday pushed the country to the edge of a political crisis when he renominated Sergei Kiriyenko for prime minister after parliament had earlier rejected his candidacy for a second time.

The Duma's decisive rejection of Mr Kiriyenko sets the stage for a showdown next week when the lower house will vote on Mr Kiriyenko for a third and final time.

If parliament rejects Mr Kiriyenko for a third time Mr Yeltsin has the power to dissolve it and call new elections. Mr Yeltsin seemed unfazed by this latest setback and departed from Moscow last night for Japan, where he will hold talks with Ryutaro Hashimoto, the prime minister.

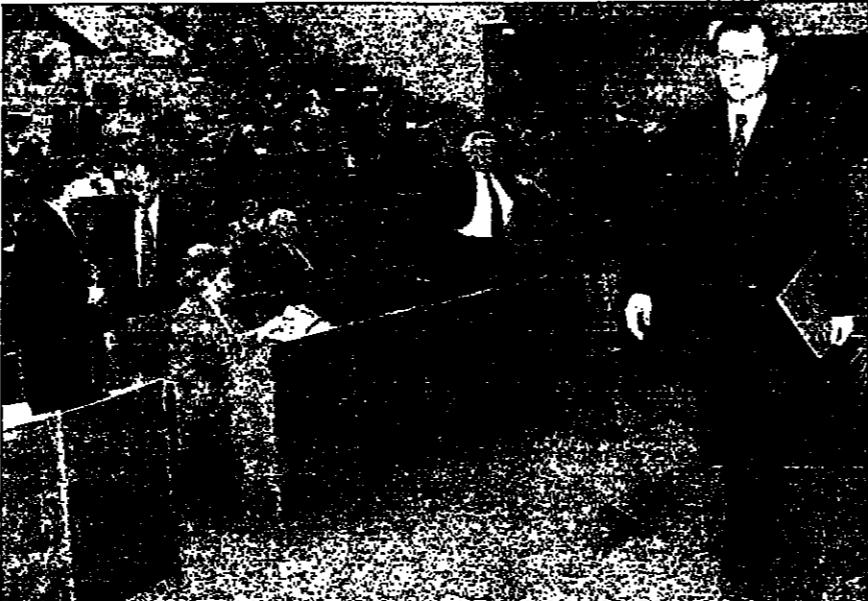
In March, Mr Yeltsin sacked his entire cabinet, including Victor Chernomyrdin, the prime minister, and chose Mr Kiriyenko, the 35-year-old former energy minister, as his nominee for the post. The Duma is largely opposed to Mr Kiriyenko, whom it considers inexperienced.

enclosed, and Mr Yeltsin's attempts to ram his nomination through have only aggravated the legislators' opposition.

Gennady Zyuganov, leader of the Communist party and the main opponent of Mr Kiriyenko's candidacy, emerged victorious from the Duma chamber after the vote, saying: "I told you that he would not get the support of the Duma, and indeed, he didn't even get the third of the vote that he got previously." Only 115 out of 450 deputies voted for Mr Kiriyenko yesterday, down from 143 the week before. Mr Kiriyenko needed 226 votes to be confirmed.

The critical factor according to many analysts, was that yesterday's vote was held via open ballot, rather than secretly, like last week's vote, meaning that political parties were better able to exercise discipline over their members.

Only two out of 132 Communist deputies voted for Mr Kiriyenko, putting to rest rumours of a split in Communist ranks, which started last week when Gennady Seleznev, the communist



Sergei Kiriyenko makes a quick exit after his speech in parliament.

week of its central committee to discuss the matter.

"Most of the deputies are more pragmatic than the president," observed Nikolai Petrov, an analyst at the Carnegie Moscow Centre. "The only danger is that Mr Yeltsin's rough tactics will leave us no choice but to oppose Mr Kiriyenko."

The Duma has a history of backing down to the Kremlin. It is cowed by the memory of 1993 when Yeltsin ended a stand-off by turning his tanks on the Duma.

Alexander Zorabov, chairman of Menatep, one of Russia's largest banks, said: "If Yeltsin dissolves the Duma... this year could be wasted, as far as the capital market is concerned. All our plans to place ADRs and issue eurobonds would be scrapped. We can work with any prime minister be it Kiriyenko or someone else, as long as there is one."

But financial markets barely registered yesterday's vote, with yields on Russian government debt rising slightly, from 33 to 35 per cent, reflecting traders' beliefs that some accommodation could be found.

speaker of the Duma, spoke out in favour of Mr Kiriyenko, while Mr Zyuganov maintained his steadfast opposition.

The Communists' allies, the Agrarian party and the People's Power party, also voted against Mr Kiriyenko.

as did Vladimir Zhirinovsky's ultra-nationalist Liberal Democratic party, and the liberal Yabloko party.

"This is a signal that the Duma is ready to go to a direct confrontation with Mr Yeltsin," said Andrei Piontovskiy, director of the Moscow-based Centre for Strategic Studies.

Many analysts think that it is possible, nonetheless, that an 11th hour deal can be worked out before next Friday's vote. The Communist party will hold an extraordinary meeting next

Friday to decide what to do.

Mr Yeltsin, said Andrei Piontovskiy, director of the

SPD backs Schröder to unseat Kohl

By Peter Norman in Leipzig

Germany's opposition Social Democrat party yesterday pledged to stand united behind Gerhard Schröder as its candidate for chancellor in the September 27 general election and strongly backed his policy of seeking support in the centre of the nation's political spectrum.

At a carefully orchestrated special party congress, Mr Schröder was confirmed as chancellor candidate by 479 delegates against 24 No votes and 10 abstentions.

The 93.4 per cent share of the 512 valid votes cast was lower than that of previous SPD candidates during the 16 years of Chancellor Helmut Kohl's government but a remarkable achievement for a politician who until recently was strongly opposed by many party activists.

Mr Schröder's party managers had earlier said any result above 90 per cent would be a success.

Mr Schröder's campaign to unseat Mr Kohl was boosted significantly through a ringing endorsement from Helmut Schmidt, the 79-year-old former SPD chancellor. Mr Schmidt, a notable absentee at recent SPD congresses, won a standing ovation after delivering a scathing attack on the Kohl government's record. Mr Schmidt said the SPD would need more than one four-year parliamentary term to repair the damage inflicted by Mr Kohl's government.

The spirit of party unity was underlined by a public demonstration of warmth between Mr Schmidt and Oskar Lafontaine, the SPD chairman, following years of cool relations between the two.

The harmony in the SPD was in marked contrast to recent serious quarrels between Mr Kohl's Christian Democratic Union and its Bavarian sister party, the Christian Social Union.

Yesterday's congress, with

its standing ovations and the now obligatory razzmatazz of new campaign tunes and slogans, was more than a "lovefest", however.

As if to counter government charges that he lacks substance, Mr Schröder devoted much of his one hour and 40 minutes speech to a detailed exposé of policies he would pursue if elected, and made a number of specific pledges. He put combating unemployment as the first priority and also declared he would take personal responsibility for the economic revitalisation of eastern Germany, where unemployment rates are twice west German levels.

He made clear his concern that the euro, the planned European single currency, would be endangered without greater co-ordination and more tax harmonisation in Europe.

Declaring the SPD's policy was "to ensure that the euro is not a débâcle", he pledged his government would work for greater European integration for all business income. Claiming unemployment will cost Germany DM180bn (\$98bn) this year, he asked: "Isn't it more sensible to finance jobs

rather than joblessness?"

Mr Schröder said all his government's decision would be measured against the test of whether it preserved or created jobs.

In addition to expounding broad themes, Mr Schröder peppered his speech with specific pledges. His government, for example, would act to make banks more ready to provide risk capital, would cut the cost of international patients in Germany, and would have a thorough audit of the public finances after the Kohl years.

In a warning to the environmental Green party, which is a possible coalition partner for the SPD, he made clear his government would stay in Nato and participate in United Nations peace missions.

While encouraging the development of fuel efficient cars, he would not penalise commuters with the high petrol prices that are part of the Green election manifesto.

More aid for French cauliflower farmers

By Andrew Jack in Paris

The French government yesterday offered additional financial aid to cauliflower farmers in Brittany to cool a crisis which has come to the boil in the north-west of the country over the last few days.

Louis Le Pensec, agricultural minister, promised a case-by-case examination of claims for support by up to 4,000 farmers, while condemning as unacceptable the violence and damage caused by their protests in the last few days.

The action by farmers followed a sharp drop in cauliflower prices triggered by high production levels. The farmers complained they had been put at a disadvantage over the past few years compared with their counterparts in Italy and Spain.

Yesterday, farmers were maintaining their blockade on Tuesday of a road bridge at Morlaix in the region, covering it with 400 tonnes of cauliflowers to prevent any traffic from crossing.

The government's decision came after a week of protests by cauliflower growers in Brittany, who caused damage estimated at more than FFr500,000 to signalling and other equipment owned by the SNCF, the French railway operator, disrupting rail traffic in the region.

Mr Le Pensec's criticism of the farmers' action - coupled with a decision by the SNCF to launch legal action for compensation for the destruction caused - marks a hardening of the government's position following criticisms of France in the past over its unwillingness to intervene in blockades.

But representatives of the farmers' unions suggested the protests were likely to lessen following meetings with the government yesterday morning.

Alexis Gourvennec, head of SICA, the most important cauliflower production association in the region, said he would propose lifting the blockade, while Thierry Mervat, secretary general of the FDSEA, a regional farming union, said he "imagined" that the protests could now cease.

Mr Le Pensec yesterday promised a "simple, rapid and personalised" examination of demands by farmers for financial support, and said that the cases should be dealt within the next two months.

Aid for farmers, which has

not been specified yet, comes

in addition to FFr50m already allocated by the government in the last few weeks, and FFr77m in EU aid made available for the first time this year.

The specific public spending reductions needed to offset the lighter tax squeeze will only be made

clear in the autumn.

At the same time, the government believes that

real GDP growth next year

of 2.7 per cent and of 2.5 per cent the following two years will help create 700,000 jobs between now and 2001.

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other European Union

countries' fears about the

state of Italy's public

Battlefield taxi wins workshare go-ahead

By Alexander Nicol, Defence Correspondent

Germany, France and Britain have provisionally agreed on workshare arrangements which will allow them to place a \$3bn order for armoured vehicles next week.

The order for the so-called "battlefield taxi" is keenly awaited by Europe's arms industry, since it will be the only new vehicle to be produced in quantity for some years to come. It is likely to trigger rationalisation of the industry.

Germany's defence ministry, which is managing the procurement on behalf of all three governments, said yesterday it would make an announcement in the middle of next week about the preferred consortium to build the taxi, a flexible utility vehicle with wheels.

Officials of the three min-

istries subsequently reached an accord on the terms of Giat's entry, subject to

approval at a further meet-

ing of officials due to be held in Germany on Monday. The losing consortium is likely to protest at the handling of the order, raising questions about the German procurement agency's refusal to consider its late attempt to submit an eight-wheeled design and allow a competition between prototypes.

Since each government equally funded earlier stages of the project, the work is almost certain to be divided almost equally between the three countries. Within this guideline, however, there is considerable room for negotiation with each wanting a share of work involving advanced technology.

The contract will initially be for 600 multi-role armoured vehicles but each partner country currently has a total requirement for about 1,000.

The Netherlands is expected to order 600-800, and there is likely to be export potential. Each vehicle will cost about \$1m.

ITALIAN BUDGET GROUNDWORK FOR EURO INCLUDES CUTTING DEFICIT AND DEBT BURDEN

Prodi pledges fiscal tightening

By James Blitz in Rome

The Italian government yesterday sought to seal its bid to join the future single European currency by publishing an outline budget aimed at reducing the public sector deficit next year to 2 per cent of gross domestic product.

Amid growing signs that the proposed budget will be approved by a parliamentary commission within the next two weeks, Romano Prodi's administration set out plans gradually to reduce the country's budget deficit and overall debt burden between now and 2001.

In an attempt to allay other European Union countries' fears about the state of Italy's public

finances, the budget document, known as the DPEF, pledged fiscal tightening to bring the annual budget deficit down from 2.7 per cent in 1997 to 1 per cent in 2001.

At the same time, the government has pledged to keep a primary surplus - the difference between revenues and expenditure excluding interest payments on debt - of 5.5 per cent of GDP for each of the next three years.

This will require the government to bring total revenues above expenditure (net of debt) by a margin of L13,500bn (\$7.4bn) in 1997, L4,000bn in 2000 and

L2,000bn in 2001.

The government has also

sought to try to allay fears

inside Italy that the tax

burden and unemployment

remain far too high.

While maintaining an

overall squeeze on the public

finances, the DPEF contains

proposals to reduce the

overall tax burden from 46.8

per cent of GDP in 1997 to

46.8 per cent in 2001.

The specific public

spending reductions needed

to offset the lighter tax

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At the same time, the

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NEWS DIGEST

CABINET OPENS WAY TO FRESH LEADERSHIP

Reformer set to take over as new Mongolian PM

A 35-year-old former journalist who helped topple Mongolia's communist rulers was set yesterday to take over as the nation's prime minister after the entire cabinet offered to resign.

Tsakhiagiin Elbegdorj was among a group of young writers, artists, university teachers and students who rose up against seven decades of Soviet-backed communist rule and demanded democratic elections in the Asian nation. The communists were driven from power in 1990.

Mr Elbegdorj now heads the ruling Democratic Union Coalition as leader of its largest party, the National Democratic party (NDP).

He has been barred from joining the government under laws that prevented members of parliament from being elected to the cabinet. But those laws were changed this year, and on Thursday the Democratic Coalition decided that the head of its majority party should be prime minister.

The current nine-member cabinet is led by prime minister Mendsalmaan Enkhbayar, who belongs to the second largest coalition, the Social Democratic party (SDP). The reformist government took power in mid-1996.

Mr Elbegdorj graduated in 1988 from the Military Political University in the Ukraine, then part of the Soviet Union. He worked for two years as a correspondent on the military newspaper Red Star in Ulan Bator. Mongolians remember him as a young political radical standing on a chair to address pro-democracy crowds and hunger strikers in Ulan Bator's main square in 1990. Reuters, Ulan Bator

SOUTH AFRICA

JAYI IS BACK

INTERNATIONAL

CARROT AND STICK THE SUHARTO GOVERNMENT HAS ALTERNATED BETWEEN BRUTAL SUPPRESSION AND ATTEMPTS AT CONCILIATION AS DEFIAZ INCREASES

Student protests gain momentum in Indonesia

By Gwen Robinson in Jakarta

The mingling of bright blue and yellow coats in a crowd of angry demonstrators in Jakarta this week was an ominous sign for the Indonesian government's effort to curb spreading protests.

The yellow coats were the familiar uniforms of students at the University of Indonesia. The blue jackets were worn by their counterparts from a nearby university.

They had defied government orders confining protests to campus and had marched along a main road to join their colleagues in the first significant attempt by student activists to link up their fragmented movement groups from other universities later joined in.

A banner draped on the campus fence read: "IMF: Make sure you don't give your loan to corrupt government," referring to Indonesia's economic reform agreement last week with the International Monetary Fund for a \$43bn rescue package.

In an exercise that has become as regular as corporate bankruptcies these days, young firebrands on a makeshift stage took turns mimicking various government ministers.

Riot police stood watching as some students, dressed as military officers, mockingly brutalised their colleagues. The crowd roared and chanted: "Down With Suharto", the Indonesian



A protest leader addresses fellow students confronting police outside Padjadjanan University in Bandung, 100km south-east of Jakarta. AP

president. They demanded political reform, an end to cronyism and better economic management.

The rhetoric, unthinkable a year ago, was typical fare amid the faltering economic climate of the past few months. For the government, however, the new and most alarming aspect of the latest protest was the linking up of students from dif-

ferent universities and the open defiance of orders to stay on campus.

Unlike the turbulent protests of the 1970s, the students of today - a product of the new middle class - have mobile telephones and access to the internet.

Their priority now is to improve co-operation and recruitment to their cause. On the same day this week,

more than 30 other demonstrations were held in different locations around Jakarta, and student leaders say there are now nearly 40 universities in the city's environs planning to combine forces for protests. A similar trend is occurring in other university cities of Java, the main island, where students are actively recruiting protesters beyond the cam-

pus and on the streets.

Commentators say momentum is building towards May 20, the anniversary of the founding of Indonesia's first nationalist movement in 1908, known as "National Day of Uprising".

The government has pursued a carrot-and-stick approach, interspersing violent military and police crackdowns on demonstra-

tors with conciliatory words and attempts at dialogue. Protests have increased, however, with growing questions over the disappearances of at least 11 activists, including some student leaders, in the past two months.

The stakes soared yesterday following a directive on Wednesday from Mr Suharto to the armed forces, advising "repressive measures" to deal with emergency situations. In a written address delivered to the army's Kopassus special forces, Mr Suharto said such measures could be applied if peaceful persuasion failed to calm boisterous students.

The statement has been taken as a challenge in some activist circles and came as international pressure on Indonesia shifted from economic issues to human rights.

Stanley Roth, US assistant secretary of state for East Asia and Pacific affairs and Ian McLachlan, Australian defence minister, were among prominent visitors to Jakarta this week to have raised the disappearances of activists with their Indonesian counterparts.

In a pointed but carefully worded reference to the student protest movement, Mr Roth said yesterday the US supported the right of students to free expression and had urged Indonesian authorities to deal with student demonstrations "with restraint".

Adding to pressure on Mr Suharto are reports indicat-

ing a meeting of the United Nations Human Rights Commission in Geneva this month could pass a resolution against Indonesia over its human rights record.

In the clearest sign yet of government concern about the spreading protest movement, ministers and military

are reported to be meeting of the United Nations Human Rights

Commission in Geneva this month could pass a resolution against Indonesia over its human rights record

Chinese mission aims to sell the rust-belt

By James Kyte in Shenyang, north-east China

The mayor of Shenyang, the main city in China's north-eastern industrial "rust-belt", is to lead an unusual roadshow to Europe this month in the hope of finding buyers for scores of loss-making and heavily indebted state-owned enterprises.

The planned tour to most western European countries over 20 days from Monday is part of a campaign to revive the flagging fortunes of "China's Rub", an area dense with Soviet-style industry rendered uncompetitive by years of free market reform.

Although some Chinese mayors have travelled overseas to attract investment for their cities before, the scale and character of the European roadshow is unprecedented. Representatives of nearly 100 large state enterprises, many either wholly or partly for sale, are to travel with the mayor, Mu Suixin, who is also deputy governor of Liaoning province.

"Now is a good time to buy. The price is low, the workers are practised, the equipment is already in existence," said Gai Ruyin, deputy mayor of Shenyang, in an interview.

But the acquisition of such companies is not for the faint hearted. Many have 10,000 employees imbued with the un hurried rhythms of a planned economy. Equipment is often decades out of date. Debts are heavy and balance sheets have rarely been properly audited. There is no law in China on the management or sale of state-owned assets.

Then there is the cultural chasm. "Europe is too far away. It is very difficult for Europeans to understand this place," said Chen Gang, general manager of the Northeast Pharmaceutical Group, a state-owned company employing 35,000.

"The best way for foreigners to enter the local market is to rely on Shenyang people and do things step by step," added Mr Chen, who is travelling on some parts of the European itinerary.

The companies for sale in Europe include manufacturers of electrical equipment, air compressors, pumps, cables, mining equipment, petrochemicals, paper and many other items.

Mr Gai said foreign investors would be allowed to take a majority stake in the

New initiative Americans 'quite keen'

Blair to call for bigger EU role in Mideast

By George Parker and Mark Neftzger in Cairo

Tony Blair, the UK prime minister, will tomorrow call for an enhanced role for the European Union in the Middle East peace process, during his five-day tour of the region.

Mr Blair believes the EU, which is a significant financial contributor to Palestinian economic development, should be given a formal role in pushing forward stalled peace talks.

The prime minister's office said Mr Blair had the backing of European leaders and President Bill Clinton in pursuing the new initiative.

Mr Blair, who began his tour in Cairo yesterday, will put the proposal tomorrow to Benjamin Netanyahu, Israeli prime minister.

"The Americans are quite keen," said Mr Blair's official spokesman.

"It can help to have different points of influence and pressure."

Mr Blair acknowledged that the US must continue to take the lead, he believes the EU - of which the UK at present holds the presidency - has a legitimate role in bringing the Israelis and the Palestinians together.

However, he is expected to press Israel to allow the early opening of the new Gaza airport and industrial estate, as well as raising the issue of Israeli settlements in the occupied territories.

enterprises for sale. They can also sack workers as long as they provide for their welfare with a lump sum payment, typically about Yen 10,000 (\$1,210) each, or with pension provisions.

The cost of providing for sacked workers may be subtracted from the sale price of the enterprise, said Mr Gai.

A confluence of political and economic factors has combined to allow the transfer of once prized state assets into foreign hands.

Zhu Rongji, China's new premier, has paid particular attention to the north-east in his insistence that most state enterprise reform must be completed within three years. This has translated into ambitious local targets: by the year 2002, at least 50 per cent of Shenyang's corporate assets should be in private hands, compared with less than 20 per cent now, said Mr Gai.

There is a shortage of the capital, management skills and technology needed to turn around the large insolvent enterprises, officials said.

Without foreign participation, they will simply remain a financial and social burden on the municipal government. For this reason, a few of the heavily indebted state enterprises in Shenyang may be sold for as little as one yuan (12 cents) each, officials said.

Shanghai property, Page 7

Healthcare likely to suffer as drugs prices soar

By Robert Chot in Washington

Indonesia's economic crisis threatens high prices and shortages of essential drugs, as well as falling school enrolment rates among the poor, according to an analysis of its social impact by the World Bank.

The report, presented to a meeting of donors in Wash-

ington earlier this month, pointed out that the sharp fall in the Indonesian rupiah had increased the prices of many drugs, vaccines and other medical supplies because of their high import content.

Surveys in Jakarta and West Java found drug prices doubling or tripling with shortages increasingly prev-

alent. Some health centres have already closed because of lack of supplies, while shortages of contraceptives are leading to a rise in unwanted pregnancies.

The World Bank team warned that the depreciation of the rupiah had been underestimated in determining government subsidies for the pharmaceuticals pro-

vided at health centres. Subsidies expected to stretch over eight months may last only four to six months.

"The World Bank's assessment is that the health budget is inadequate to protect basic services: it underestimates the implications of exchange rate depreciation, and it is too optimistic about likely inflation rates and the

expected level of disbursements of external assistance," the report said. Pressure on public health services will intensify as more people find they can afford private services.

Infant mortality and life expectancy have improved markedly in Indonesia since the 1970s, but the Bank noted that other countries

with similar average income levels had done better on these measures. This suggests that the Indonesian healthcare system was already relatively inefficient before the crisis.

John Anthers adds from New York: Indonesian finance officials said late on Thursday they had agreed a "broad set of principles" for

renegotiating the country's private external debt, which will be modelled on the renegotiation of Mexico's external debt three years ago. The announcement followed negotiations at the New York headquarters of Chase Manhattan, and also involved representatives from Bank of Tokyo-Mitsubishi and Deutsche Bank.

IMF/WORLD BANK MEETINGS MINISTERS WANT INCREASINGLY STRONG WARNINGS TO STUBBORN GOVERNMENTS

Fund urged to be harder taskmaster

By Robert Chot, Economics Editor, in Washington

Finance ministers have asked the International Monetary Fund's board to develop a mechanism under which the global watchdog would give increasingly strong and ultimately public warnings to countries that ignore its advice.

Despite the misgivings of some senior officials, the Fund's interim committee asked the board to develop a "tiered response" to stubborn governments. This follows Thailand's failure to heed Fund advice between 1994 and 1997, which arguably resulted in an unnecessarily serious financial crisis last July.

Michel Camdessus, the IMF's managing director, said that the mechanism would see a progressive

strengthening in the Fund's language. Philippe Maystadt, Belgium's deputy prime minister and the interim committee chairman, said that public warnings would be an "ultimate step in exceptional circumstances".

Some IMF officials fear that the threat of public warnings may not be credible. It might stop authorities giving the Fund confidential information and trigger the crises it is supposed to prevent. But Mr Camdessus said that if a crisis did result "the origin would not be with our statement but with the mal-governance of the country".

The committee underscored members' obligation to provide timely and accurate data to the Fund, its communiqué said. In the event of persistent deficiencies in data provision, the

Fund would consider delaying the completion of its annual "Article Four" economic health checks. This might prompt investor nervousness.

Countries will also be encouraged to publish "press information notices", which summarise the board's discussion of Article Four health checks. A growing number of countries have published these notices over recent months, but many emerging market economies remain reluctant.

The committee asked the Fund to work with other organisations in extending the Basle Committee's "core principles" for banking regulation and supervision. The board will also look at ways for the Fund and World Bank to collaborate on financial sector advice, following Canadian and UK proposals.

Editorial Comment, Page 6

Bank struggles to stop decline in income

By Robert Chot

Industrial and middle-income countries found themselves at loggerheads yesterday as finance and development ministers discussed how to reverse a decline in the World Bank's income that threatens its ability to help poor countries.

The Asian financial crisis has intensified a secular weakening in the Bank's finances. Lucrative fixed-rate loans are expiring and the Bank's standard lending is no longer profitable at the

margin. It remains in the black only because industrial countries demand no dividends on their capital.

Robert Rubin, the US Treasury secretary, told the development committee yesterday that middle-income countries would have to pay more to borrow from the Bank. "We believe strongly that charges should cover administrative costs at a minimum," Mr Rubin said. "This is reasonable."

James Wolfensohn, the Bank president, first warned the committee about the fall in income last spring. He

said it was set to halve between fiscal year 1996 and fiscal year 2005 and that by fiscal year 1999 it would be insufficient to inflation-proof the Bank's capital base.

The need to boost the Bank's reserves because of the riskiness of its big loans to Asia has imposed a further short-term squeeze on income.

In recent years income has been used to finance soft loans and debt relief for poor countries and emergency help for Gaza. From \$1.5bn last year, net income is forecast to drop below \$900m this year and next year.

Mr Rubin said that the Bank should eliminate the 25 basis point interest rate waiver offered to countries that repay debts on time as well as being prepared to raise the price of new loans.

"I understand borrower reluctance to increase charges," Mr Rubin said. "However, as the prime beneficiaries of a financially sound institution, borrowers have a vested interest in strengthening the capacity of the bank to maintain its financial standing and ability to lend."

Developing countries are reluctant to pay more to finance what they see as the pre projects of the richer nations. The Group of 24 developing countries recognised the need to action on income on Wednesday, but called for a "equitable burden sharing".

Mr Rubin also called for the Bank to look aggressively for further cost reductions and to be more selective in the way it spent its money. It should also work to eliminate wasteful duplication with other multilateral development banks.

Developing countries are quite keen," said Mr Rubin's official spokesman.

"It can help to have different points of influence and pressure."

Mr Rubin acknowledged that the US must continue to take the lead, he believes the EU - of which the UK at present holds the presidency - has a legitimate role in bringing the Israelis and the Palestinians together.

However, he is expected to press Israel to allow the early opening of the new Gaza airport and industrial estate.

The European Union has given £320m (\$534m) in aid to the Palestinians between 1994 and 1998, including sig-

FRANCHISE ARRANGEMENT BRITISH GAS SUBSIDIARY TO LEAD CONSORTIUM BUILDING A PIPELINE TO SERVE CENTRAL AND SOUTHERN AREAS OF THE COUNTRY

Egypt plans \$220m expansion of natural gas use

By Mark Neftzger in Cairo

Private sector gas producers will today launch a \$220m project to pipe up to 4.4m cubic metres of Egyptian natural gas a year to industrial and household consumers in central and southern Egypt in a big expansion of the country's domestic gas industry.

A consortium led by British Gas International (BGI) will sign an exclusive 25-year franchise with the state Egyptian General Petroleum

Company (EGPC) to build an initial 500km pipeline south of Cairo to Asyut in two phases. Plans are also being considered to extend the pipeline a further 500km to Aswan.

The franchise is the first of its kind in Egypt to offer private sector companies the role of providing gas to areas without a supply. BGI Egypt, with its partners Edison International, Orascom and Middle East Gas Association, will construct a high-pressure gas transmission line to

introduce gas to areas which don't have it. It will be the spinal cord of the gas system.

In addition to the pipeline, the consortium, called the Nile Valley Gas Company (NVGC), will build pressure reduction stations to interface between the main pipeline and the network feeding consumers. The entire network will be operated by NVGC supplying gas fed into the system by EGPC. EGPC will pay a through-put tariff to NVGC.

EGPC last year found substantial gas reserves in the offshore Rosetta field in the south-east Mediterranean, which led to estimates of the country's total gas reserves being increased to up to 40,000m cubic metres. Further offshore exploration is imminent in the West

In addition to its 37 per cent stake in NVGC, the company is expected to invest at least \$100m this year in developing its offshore gas drilling operations off the Nile's delta.

er's shadow

FINANCIAL TIMES WEEKEND APRIL 18/APRIL 19 1998

JAY WIGGINS

BRITAIN

NORTHERN IRELAND BERTIE AHERN TELLS PARTY HE IS CONFIDENT OF 'SUBSTANTIAL IMPROVEMENT IN POSITION OF NATIONALISTS'

Premiers step up efforts for peace deal

By David Wighton in London and agencies

The British and Irish prime ministers yesterday increased their efforts to rally support for the Northern Ireland peace deal on the eve of important meetings about the agreement by political activists in the region.

Bertie Ahern, prime minister of the Republic of Ireland, sent a message to nearly 4,000 members of his Fianna Fail party. He said the agreement provided "a

basis for peace and democratic evolution from which all will benefit".

A spokesman for Mr Ahern, who enclosed a 35-page copy of the accord proposals and a summary of its main points with his plea for support, said: "This effectively marks the start of the campaign for a Yes vote in the coming referendum on the peace deal."

The Irish premier declared in his letter to the party: "The agreement represents a substantial improvement in the position of nationalists

in Northern Ireland, while also being of benefit to the entire population."

"It is also the most promising way presently available of achieving over time the aims for which we stand - and in particular our first aim, which is to secure by peace and agreement the unity of Ireland and its people."

May 22, the date chosen for a referendum on the peace deal in Northern Ireland, is expected to be confirmed as the date for the republic's referendum after a

two-day debate on the accord in the Dail, the parliament, beginning on Tuesday. The six main government and opposition political parties in the republic have signed a Dail motion endorsing the peace blueprint.

Tony Blair, the UK prime minister, yesterday sought to win round sceptics in nationalist unionist parties

by offering reassurance on the release of paramilitary prisoners and on reform of the Royal Ulster Constabulary, the Northern Ireland police force.

He said there was no question of prisoners being released early unless they and their organisations had renounced violence. Mr Blair said it was important that all such issues had to be viewed "in the round" if Northern Ireland was to make a fresh start.

"But there is no way that there is going to be anyone allowed out whose organisation has not stopped violence, stopped it properly," he added. "In respect of the individuals, they too have got to be quite clear that

they have given up violence." He said that prisoners would be released only on licence.

Mr Blair also sought to calm unionist fears that reform of the police could lead to "two-tier" policing. "We want the police force to operate on a normal law-and-order basis so far as it is possible, but there is no question - to give this specific reassurance - of ending up with some split police force with gangs of paramilitaries running local police stations or local policing."

NEWS DIGEST

LLOYD'S OF LONDON

Tough world competition reduces premium income

Tough competition in global commercial insurance markets drove premium income at Lloyd's of London 6.7 per cent lower last year, according to figures in the society's One Lime Street publication. Gross premium income dropped from \$3.1bn to \$2.82bn (\$1.38bn) as prices fell across most classes of business. Marine, aviation and excess of loss reinsurance suffered the sharpest declines in revenue. Excluding exchange rate fluctuations, the drop in premium income was 4.3 per cent. The magazine said catastrophe claims in non-marine markets had been low. There were eight catastrophes last year, the second-lowest annual total recorded by the claims office at Lloyd's since the late 1970s. More than \$2bn of the market's income came from the US last year, compared with \$2.4bn from the UK and \$0.84bn from the rest of Europe. Christopher Adams, London

'MAD COW DISEASE'

Farmers 'ripped off' over HQ

Farmers are being "ripped off" because they are having to fund an expensive new headquarters for the British Cattle Movement Service, the opposition Conservative party claimed yesterday. Michael Jack, agriculture spokesman, wants a House of Commons committee to look at whether the headquarters at Workington, north-west England, represents value for money. The agriculture ministry has conceded that the start-up costs were £700,000 (\$1.17m) more than at a rural site in the south. Mr Jack says he is not accusing Jack Cunningham, chief agriculture minister, of

choosing Workington because it is near the district he represents in parliament. He claims the decision to locate the service - part of the measures to combat "mad cow disease" - in the town is questionable and says farmers will have to foot the bill for the new service through a £10 fee per cattle movement. "There are serious issues about the way the ministry reaches its decisions," said Mr Jack. George Parker, London

POWER STATION SALES

Generators warned on closures

National Power and PowerGen, the former state utilities, were warned yesterday against ordering power station closures to protect their market share rather than seeking to sell unwanted capacity to rivals. The comments - from Professor Stephen Littlechild, the industry regulator - follow a recommendation by a committee of the House of Commons that owners of redundant coal-fired generating capacity be required to offer it for sale in an effort to prevent further mine closures. An independent assessment ordered by the regulator into the closure by National Power and PowerGen of coal-fired units at three stations in England said that they could have been of interest to rival generators. It said: "Given the difficulties of buying or leasing individual units in a station, the closure of some but not all units at a station could reflect a reluctance by incumbent generators to relinquish claims to existing power station sites in order to retain their market position."

The report by Merz and McLellan concluded that the closures "were reasonable, given the likely future revenue and costs of these units". Andrew Taylor, London

POLITICAL PARTY FUNDING

Title suggestions irk retail chief

Sir Stanley Kalms, chairman of the Dixons electrical goods retail chain, said he was offended by suggestions that his company's big donations to the Conservative party helped him win a knighthood. Sir Stanley, giving evidence to Lord Neil's inquiry into party funding, insisted there was no evidence that peerages and knighthoods could be bought. He found claims that he had been "going for a title" offensive, adding that such titles were awarded to people who had made a significant contribution to public life. Lord Neil is investigating whether big corporate donations are intended to influence policy and whether there should be greater disclosure of such donations. Sir Stanley dismissed suggestions that big donations should be publicly declared. He said individuals might be "embarrassed" if it was known they had contributed to a party. It was up to politicians not to put themselves in a position where they could appear compromised by the acceptance of a donation. George Parker, London

FOOD RETAILING

Safeway rethinks loyalty card

Safeway, the UK's fourth-biggest food retailer, raised the stakes in the supermarket loyalty card battle when it relaunched its ABC card to favour higher-spending customers. The card was introduced in October 1995 and the relaunch follows a series of profit warnings from the group. It has been perceived as losing out to Tesco, the first food retailer to introduce a loyalty card and Asda, which has preferred other promotional methods. Under the new scheme, customers who spend £160 (\$267) or more a month will receive double reward points for every pound spent in the following month. Mike Dennis, food retailing analyst at SG Securities, said Safeway had lower average spend per visit than competitors. Robert Wright, London

ate for PM

Protestant hardliner tastes his own medicine

By John Murray Brown in Dublin

Ian Paisley, the Protestant hardliner known in Northern Ireland as the "big man from Ballymena", is feeling a little unloved. A tiny UK flag pinned to his tie, a "Vote No" sticker and a badge declaring "Jesus is Lord" on his lapel, the Rev Paisley was being treated to a bit of his own medicine at the Northern Ireland Forum - set up as a preliminary to

the peace talks - yesterday.

No mean barracker himself, he came under fire - first from David Trimble, the Ulster Unionist leader, then from John Alderdice, the cross-community Alliance party leader and then the smaller loyalist parties - for condoning last week's historic peace settlement.

The leader of the hardline Democratic Unionists is capable of conjuring up an apocalyptic vision of what would happen to his beloved

country if his warnings are not heeded. But in an interview yesterday with the Financial Times, he seemed almost gloomy - as if he sensed the political tide is flowing against him.

No one is writing him off yet. But his brand of politics - implacably opposed to any role for the Republic of Ireland in Northern Ireland's affairs - may soon look out of sorts should the people who agreed the agreement a resounding Yes in the refer-

endum. Asked why he could not support the agreement, he said he would not betray his supporters for "the sake of being called a statesman, and a nice fellow, or being offered something in the birthday honours list".

But he said he felt let down that Mr Trimble, with whom he says he signed a pact, stayed in the talks after Sinn Féin joined, even though the IRA had not surrendered a single bullet.

But if, as most commenta-

tors expect, Mr Trimble is victorious in today's vote at the ruling council of his Ulster Unionist party, it could mark the political end of the 72-year-old Mr Paisley.

His political fortunes have directly mirrored the misfortunes of Northern Ireland. Formed in 1971, two years after the outbreak of the Troubles, the DUP provided a radical, less secular alternative to the UUP.

He says that even if the Yes vote prevails, he will

contest the assembly elections. The agreement envisages that decisions in the assembly can be made only on the basis of "parallel consent" - requiring 40 per cent support from each community.

Will he make this new assembly work? "What, and work the north-south bodies? Not at all. I'm not going to work for the destruction of my province."

Tell Tell, Page 7

Warning on costs of City regulation

By David Wighton, Political Correspondent

Government proposals to combine City of London regulators into a single Financial Services Authority could create a "pervasive constraint" which would deter innovation, the opposition Conservative party warned yesterday.

In the party's most outspoken criticism of the plan, Michael Fallon, one of its senior finance spokesmen, said there were "fundamental flaws" in the proposals which threatened the international competitiveness of the City.

"Over-regulation will squeeze out innovation and discourage new entrants to the market," he said in a speech to the Independent Financial Advisers' Association annual conference. "Big City firms can connive at high compliance costs because they keep out smaller competitors and can easily pass on to customers."

Mr Fallon said he would press the government to introduce a statutory cap on costs. "We want to make sure that the FSA does not add to costs. Because it will be funded by the industry it regulates, all the costs will ultimately be borne by the consumer - the individual investor through his insurance policy, pension fund or money invested on the stock exchange."

Mr Fallon claimed the ruling Labour party was breaking a pre-election pledge made by Alastair Darling,

now chief secretary to the Treasury. Alastair Darling said in late 1996 that the creation of a single regulator won't do. He said the idea that by rounding up all the regulators and putting them in one building you could solve all our problems "simply won't work". Yet this is exactly what Labour propose to do. It is another pre-election promise betrayed."

Mr Fallon said the success of the City as a global financial services centre depended on keeping costs down and not over-regulating.

Telewest takes the lead in race for cable consolidation

Freshly galvanised companies realise size is important in broadcasting battle, write Christopher Price and Cathy Newman

The £640m (\$1.1bn) acquisition of General Cable and NTL's recent acquisition of Comcast is a substantial victory for Telewest Communications, which beat a \$550m rival offer from NTL.

It also accelerates a trend toward consolidation which has been gathering pace over the past two years.

Telewest, which was the second largest UK cable operator before its agreed bid for General Cable, will now rival Cable and Wireless Communications as the UK's biggest cable company, covering 5.8m homes.

After a decade of investing more than £8bn in cabling Britain's streets, using a great deal of borrowed money, cable companies have racked up enormous losses. Investors and executives have finally been galvanised into action.

Consolidation has been

given additional impetus because much of the cabling in the franchise areas is nearing completion, and the companies have realised that size really does matter in the battle against rivals such as British Telecommunications, the former state utility, the BBC and British Sky Broadcasting, the satellite television network in which Rupert Murdoch's News Corporation is the biggest stakeholder.

The number of cable companies has declined, from 34 five years ago to seven after

the General Cable deal and NTL's recent acquisition of Comcast.

Alan Lyons, cable analyst at ABN Amro, believes the industry restructuring will eventually leave just two or three super-cable groups. "You can bet your bottom dollar we haven't seen the last of the consolidation."

NTL has been at the centre of almost all the sector's corporate activity, making the first significant move last month with a \$600m agreed all-paper offer for Comcast, followed by a £550m offer for General Cable. It has been shaking all the big cable concerns outside CWC into one company. None took the bait, but NTL has pushed on regardless with its strategy of bigger means better.

However, its ambitions are facing a serious challenge in the UK from a rejuvenated Telewest. General Cable preferred Telewest's mix of cash and paper to NTL's lower, all-paper offer. If Telewest succeeds in exercising its right to buy Comcast's interest in two of its most lucrative franchise areas, it will blow a hole in NTL's deal.

Some observers believe

NTL will start to dedicate more of its energies to becoming involved in digital terrestrial television. The company, which bid for the licences later won by British Digital Broadcasting, has access to digital terrestrial television through its stake in S4C Digital Networks.

Telewest, meanwhile, appeared hampered by the different interests of its four dominant north American shareholders.

That now appears to be resolved as one, US West International, has reassured control over Telewest by appointing its own chairman, Gary Ames, as chairman of the UK company.

Stephen Davidson, chief

executive, is leaving immediately, after five and half years with the company. If it spends at least £200m exercising its right to buy the Comcast franchises, Telewest will become the UK's Number One cable company.

However, investors' appetite for cable has waned as

analysts have cut their once-optimistic forecasts for the industry in the face of its relatively poor performance.

However, further industry consolidation could be the fillip for better corporate performance - and a subsequent pick-up in its stock-market rating.

BT chooses Scotland for big call centre

By James Bond in Edinburgh

British Telecommunications is to create 800 jobs in the next 12 months in a new call centre in Dundee, Scotland. The project is one of the biggest boosts to employment in the city for several years.

The £5m (\$8m) call centre is being set up by BT Connections in Business (BT CIB), a subsidiary of BT, which is one of the UK's leading call centre operators, used by companies that out-

source their call handling.

BT CIB already employs 220 people in Dundee dealing and information for Barclays stockbrokers and calls to the national rail inquiry service. These staff will move into the new premises after it opens in July.

It was attracted to Dundee by Locate in Scotland, the inward investment agency. Dundee is in a development area, which entities incoming companies to assistance grants. BT CIB has five other

call centres in the UK, including Newcastle upon Tyne, Manchester and Bristol.

Dundee, Scotland's fourth

biggest city with a population of 150,000, has attracted very little inward investment in recent years. One of the largest boosts to employment was the opening in 1992 by General Accident of an office processing insurance work. It now employs about 500 people.

But the eastern Scottish city's reputation was damaged by the long running

industrial dispute in 1992 at a plant operated by Timex, the electronics company. The plant later closed.

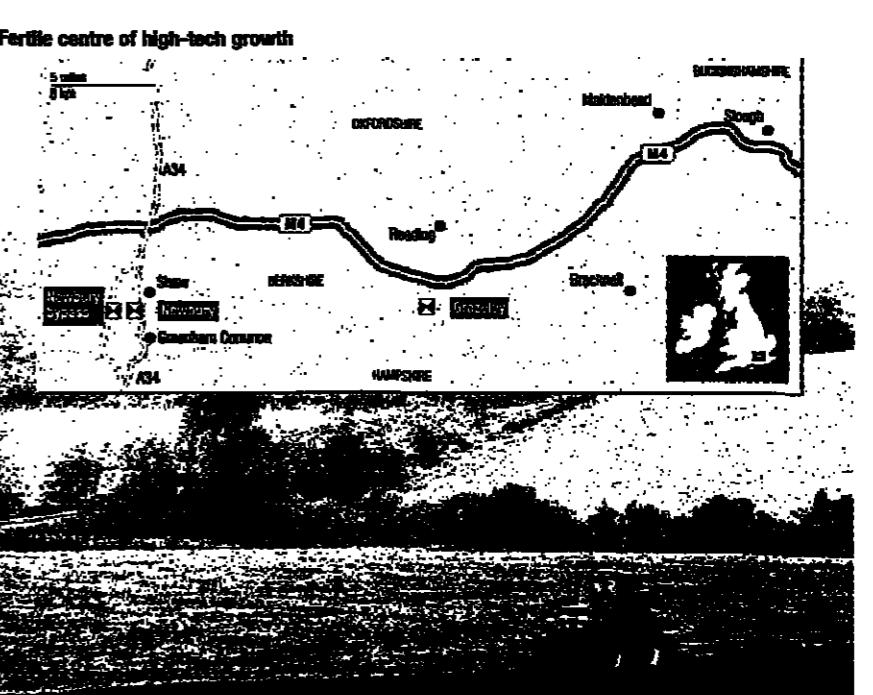
Dundee has more than 6,000 people claiming unemployment benefit, a rate of 7.3 per cent against the Scottish average of 6.1 per cent. Male unemployment, however, is 12.2 per cent. Some 50 of the 800 jobs will be created under the government's welfare-to-work scheme, aimed at helping long-term unemployed young people.

Industrial growth in 1995 was 30 per cent since 1992, say surveyors Hillier Parker.

There is a price. Population in Dundee has doubled to 783,000 over 40 years. Between 1981 and 1995, it grew by 13 per cent - treble the UK average.

Traffic congestion is also heavy at rush hour and, says the Council for the Protection of Rural England, Berkshire has lost half its trans-

Fertile centre of high-tech growth



Brian Groom reports on the conflicting pressures of protecting the countryside while attracting international businesses

A storm is gathering in the Thames Valley, west of London - Britain's nearest equivalent to Silicon Valley in California. Its immediate cause is housing. The underlying issue, though, is competitive: how can the UK grow high technology industries, when they are in environmentally sensitive areas?

Vodafone, the mobile telephone company, is drawing up controversial plans for a world headquarters housing up to 4,000 staff north of Newbury, 80km to the west of London. At present it has 3,000 staff in 51 separate offices in the town, the

result of piecemeal growth. "It's grossly inefficient," Vodafone said.

Vodafone intends to apply for planning permission by the autumn. It has rejected a business park being built on the former USAF cruise missile base at Greenham Common to the south of Newbury, because it is 100m from the M4 motorway and on the wrong side of town.

Registered unemployment averages 1.6 per cent in the county of Berkshire, at the centre of the valley. Economic expansion brings new residents,

JULY 1998

COMMENT & ANALYSIS

MAN IN THE NEWS GHOLAMHOSSEIN KARBASCHI

Mayor in a maelstrom

Robin Allen on the Iranian at the centre of a battle between conservative mullahs and political modernisers



Rarely do allegations of embezzlement, bribery and "influence-peddling" at a town hall create nationwide excitement and international attention. Less often still does the accused walk free before his trial as the darling of the public.

Both these phenomena occurred this week in Iran, when the unlikely hero, Ghohamhossein Karbaschi, Tehran's 44-year-old mayor - a door-to-door religious student with hooded eyes, monotone voice and lugubrious mien - was released from prison. Mr Karbaschi is now at the centre of the sandstorms swirling around Iran's political landscape. He is the focal point for precisely the kind of social and economic reform that the government of President Mohammed Khatami has been trying, unsuccessfully, to implement for the past nine months.

At first sight, Mr Karbaschi has none of the qualities one might expect to find in a celebrity. In his eight years as mayor, he has managed to upset everyone from the city's powerful landowners, to rich merchants, to contractors and shopkeepers. He has done so by raising dues and making arbitrary "one-off" charges to help pay for his crash road-building and other programmes designed to improve the city's dilapidated public services.

The response from land-

lords and shopkeepers was to pass the extra charges on to tenants and consumers, thus penalising Tehran's 8m-10m residents with several percentage points of annual inflation over and above the 50 per cent national rate.

But many in Tehran have forgiven him. They credit him with having made the city - its choking pollution notwithstanding - a place that actually functions.

But the conservative establishment of mullahs and merchants, which still controls the national levers of power, has not been so forgiving. They blame Mr Karbaschi for what they describe as his liberal use of municipal funds to publish posters in support of Mr Khatami during last May's elections. They also accuse him of providing food and transport to encourage people to go out and vote for Mr Khatami.

His supporters praise his bold stance and contrast his actions as mayor with his reputation from the 1970s and 1980s when he was a theology student. In that period he was a "colourless"

figure, according to one senior Tehran businessman.

Many were surprised that more were indifferent, when Mr Hossein Mousavi, then prime minister, plucked him from obscurity in 1984 to make him governor of Isfahan province, traditionally one of the country's most important posts. "Karbaschi was chosen, not

to fight against Iraq."

That Mr Karbaschi should today have become a cause célèbre says more about Iran's opaque and arcane power structure than it does about the man himself. For a start, he was appointed mayor of Tehran by former president Hashemi Rafsanjani, a wily power broker. But Mr Karbaschi, sensing

"civil law".

Popular support for Mr Karbaschi is one thing. Political control is quite another. Ultimate power remains in the hands of Ayatollah Ali Khamenei, the spiritual leader, and the narrow circle of conservative and ageing mullahs (and their secular merchant supporters). It was they who wrote the 1981 constitution legitimising their own control over the national levers of power.

Mr Khatami has his own political trump card: popular disenchantment among Iran's younger generation. Though he dare not play it, the religious hierarchy dares not ignore its existence.

Two-thirds of Iran's population is under 30. The bulk, notably in large urban centres, is fed up with unemployment - now above 30 per cent - poor education standards and politicians referred to as that "gang of incompetents who are bleeding the country dry" by one Tehran university student. These young have never known any regime other than the mullahs, and are not cowed by it.

They showed their contempt for established social conventions last December when soccer enthusiasts went completely wild after Iran's squad returned from Australia having won a place in next June's World Cup final.

Equally telling, more than 5,000 women - all supporters of Mr Khatami - ignored explicit police orders to stay at home by pouring into the street and filling one end of Tehran's national soccer stadium. The police stood by powerless.

After that, all that was needed, say businessmen, for the young to demonstrate again, was "a catalyst and a cause". Mr Karbaschi provided both.

But this week's events do not represent the end of the story. Mr Karbaschi's trial is still due on 5 May. The hard-line judiciary may have lost face but it still has a case against the mayor, several of whose aides have been jailed following similar charges.

"The deterrent to pursuing the trial is the fear of provoking an uncontrollable public street reaction," says one western diplomat. "Mr Karbaschi's case may be judged less on its merits, more on the subtleties and balance of power involved in nationwide social and economic discontent. A lot can happen in the next three weeks. And many people will be looking for a face-saving solution."

Sun and shade on Wall St

Despite a rampant bull market and record profits, all is not entirely rosy for US securities firms and banks, writes Tracy Corrigan

Low interest rates, a bull market for stocks, record underwriting volume and massive profits "in summary, this is as good as it gets" on Wall Street, says Michael Flanagan of Financial Service Analytics, a research company.

US securities firms have just reported first-quarter earnings, in many cases not only the highest in their history, but also substantially above analysts' expectations. Investment bankers, who have recently banked big bonuses for their fee-generating success in 1997, are well on their way to even bigger payoffs at the end of this year.

"It has been an exceptionally active first quarter, far beyond people's assumptions across all sectors," says Joan Zimmerman, an executive search consultant at G Z Stephens, which specializes in Wall Street recruitment.

Provided market conditions remain favourable, many firms are on course for record profits again this year. "Backlogs [of deals] look pretty good for mergers and acquisitions or OK for equity and debt, as long as interest rates stay at where they are," says Jim Hanbury, financial services analyst at Schroders.

Business in bond and equity underwriting and in mergers and acquisitions has been booming. In the first quarter, bond and equity underwriting reached \$460bn, trouncing the previous record of \$370bn in 1997's third quarter, according to Securities Data, the US financial research consultancy.

But can the seemingly inexorable rise in profits persist? "We would like to think these conditions and volumes are sustainable but history suggests they are not," says Mr Flanagan. "A number of factors which are

already optimal would have to improve even further," he notes.

In fact, the rampant bull market may be hiding underlying problems in the industry. Although there is plenty of business around, the securities industry has never been more competitive.

"The strategies that several securities firms and banks are pursuing in securities-related activities require that they attain leadership to be successful," says a report on the outlook for the securities industry published this week by Moody's, the rating agency. "By definition, however, only a small number of firms will be market leaders."

As US commercial banks, investment banks and foreign rivals vie for a share of profits, fees are being squeezed. "While the bull market keeps running, it

There is another threat to margins: money, history has shown, tends to burn holes in investment banks' pockets

masks the fact that margins keep going down," says Sallie Krawcheck, securities analyst at Sanford C Bernstein. In high yield or junk bond underwriting, "for example, average fees last year fell 22 per cent. While fees in equities and M&A have proved more robust, some analysts believe growing competition is likely to squeeze fees in these sectors, too.

There is another threat to margins: money, history has shown, tends to burn holes in investment banks' pockets. "I think there will be margin pressures because spending will go up and it may go up faster than revenues," warns Michael Lipper, of Lipper Analytical, who

predicts increased spending on year 2000 problems, the euro conversion and aggressive hiring.

Yet those firms that achieve or maintain a leadership position will have some protection. "Leadership positions in the securities industry carry with them disproportionate returns," says the Moody's report. Lead managers in underwriting syndicates, for example, often capture about 70 per cent of the fees.

Furthermore, "benefits of scale are apparent in several

activities such as sales and trading, retail brokerage and asset management, where marginal returns can be very high", the report adds.

Quite simply, firms that do lots of business tend to have similar fixed costs to those doing only a moderate amount.

But the industry's high

resulting enlarged investment banking and brokerage firm into the elite of so-called "bulge-bracket" firms.

Consolidation also brings job losses. In spite of present euphoria, "there is some concern [among employees in the securities industry] because consolidation means that we will have enormous supply hitting the street," says Ms Zimmerman. "We began to see elements of this in the mergers of Salomon/Smith Barney and UBS/SBC, but all of those individuals were snapped up rapidly because of a fairly strong market. But as consolidations continue, the number of people vying for a smaller number of seats will become greater."

Thus, the equation for investment bankers, at all levels, has become more complex. Ms Zimmerman explains: "They might say, 'OK, we're looking at extremely high levels of compensation and perhaps a two or three-year guarantee, but will I have built up enough capital to leave the business, or will I be able to re-enter the mainstream?' There are individuals who are viewing moving to new organisations more warily - and that includes very large, very profitable entities."

Blue chip names such as Merrill Lynch and J.P. Morgan, which a year or so ago seemed destined to retain their independence for ever, are now frequently the subject of merger rumours. After this month's \$170bn merger of Citicorp and Travelers (the parent of Salomon Smith Barney) - which will itself cause some job losses in overlapping areas such as capital markets - no combination seems unthinkable.

For the moment, Wall Street is making hay while the sun shines, and everybody wins. In the longer term, there will inevitably be some losers, too.

Belfast's Europa will today play host to a meeting that could seal the fate of the Northern Ireland peace process.

A special session of the ruling council of the Ulster Unionist party will hear David Trimble, its leader, defend his decision to support last week's political settlement.

Should Mr Trimble win the deal, there is every expectation the campaign for a Yes vote in next month's referendum will be won. Should he lose, the peace agreement would be dead. Mr Trimble would be ousted as leader, his political career at an end, and the province in turmoil. That is what happened to a former Unionist leader, Brian Faulkner, who signed an earlier settlement, the Sunningdale agreement of 1973, but failed to win his party's backing for it.

"Everything hangs on Saturday. Even a reasonable victory for Trimble and everything will go forward like a rocket," says Paul Bew, politics professor at Belfast's Queen's University.

So how strong is Unionist opposition to the peace agreement? Might it run deep enough to oust Mr Trimble, or to persuade voters to reject the deal?

Certainly, Mr Trimble has had a difficult week. On Wednesday the Orange Order, which has around 60,000 members and stages marches in commemoration of William of Orange's defeat at the Battle of Boyne in 1690, failed to endorse the deal at a special meeting of the Grand Lodge.

The Order accounts for around 85 of the 900-plus delegates at the council, but its influence would be wider as many ordinary unionists would also be Orangemen. However, the news might not be as bad for the peace agreement as it might seem. Orangemen say only 20 of the 100-plus members present voted against the deal. What happened was that Lord Molyneux, a former grand master and UUP member, the Order took a leaf out of Sinn Féin's book and withdrew.

Trimble's tall task

John Murray Brown considers the depth of Unionist opposition to Northern Ireland's peace agreement



Out of step: the Orange order on the march
Picture: Reuters

sought more time for clarification on three areas of concern - the release of paramilitary prisoners, police reform, and the decommissioning of terrorist arms.

Outside the UUP, the most vociferous unionist opposition comes from Rev Ian Paisley. The deal he says, "sells our beloved country into a united Ireland". Mr Paisley can still count on a huge personal following. He can also count on unionists' visceral dislike of Sinn Féin.

So how strong is Unionist opposition to the peace agreement? Might it run deep enough to oust Mr Trimble, or to persuade voters to reject the deal?

All the same, many ordinary unionists would not see the evangelical Presbyterian leader as a credible voice to lead unionism as a whole. Indeed, both Mr Paisley and Bob McCartney, the UK unionist leader who is also

against the deal, have conceded it is likely the Yes camp will prevail in the referendum.

In some respects, though, the battle over the referendum may not be as decisive as seems. The battleground for seats in the proposed Northern Ireland assembly will be just as important.

Tom Harkin, coauthor of *Northern Ireland: The Choice*, which outlines the range of political models for the province, believes "if unionists are offered a package they will tend to go for it, but if they have to choose, they will go for the strong party. You might get 55 per cent in the referendum and yet [Mr Paisley's] DUP could still do well in the elections I think the government may have been rash to go for early elections".

If the DUP significantly increases its vote at the expense of the main unionist party, it is just possible Mr Paisley could block the establishment of the proposed all-Ireland bodies which, for the nationalists, are the centrepiece of the agreement.

Mr Trimble's supporters believe the longer the referendum campaign goes on, the more voters will realise they have nothing to fear from the agreement. But he faces a formidable task.

Unionist history is littered with the stories of unionist leaders who seek an accommodation with nationalists and find they have not brought the rank and file with them. Mr Paisley has been the main beneficiary of the internal ructions that ensued.

However, the politician-preacher is not the force he once was. Moreover, unlike in 1973 when workers brought the province to a standstill in protest at the Sunningdale agreement, Mr Paisley cannot rely on the support of the urban working class. They have set up their own parties, both of which support the deal.

All the same, many ordinary unionists would not see the evangelical Presbyterian leader as a credible voice to lead unionism as a whole. Indeed, both Mr Paisley and Bob McCartney, the UK unionist leader who is also

against the deal, have conceded it is likely the Yes camp will prevail in the referendum.

In Pudong, many of the tower blocks have been partially financed by ministries or other state organisations. The 88-storey Jinmao building, for instance, is backed by Moftec, the Ministry for Foreign Trade and Economic Cooperation. If they cannot lease the building, some state bodies may even be prepared to relocate in Pudong themselves.

On the demand side, property agents cite continued arrivals of foreign investors and the expansion of existing companies. "When companies move within Shanghai they typically double their space," says Mr Fulton at First Pacific Davies. "Requirements are now in the region of 1,000 sq m."

If the government manages to strip away the state shackles hampering the development of a competitive financial services industry, Pudong should eventually emerge as an important regional financial centre. Only then will the buzz of commerce replace the eerie sound of silence.

Shanghai: where silence is not golden

James Harding and John Riddings find that China's biggest urban development is in dire need of more tenants

70 per cent for the Pudong district, Morgan Stanley says Edward Cheung, general manager of C.Y. Leung, the property consultancy.

Chinese state companies and ministries, Hong Kong's big developers, Japan's Mori group and other international property companies piled in. "With hindsight, it seems clear that the city authorities released too much land, too quickly," says one developer.

Most market analysts say prices will not stop falling until next year at the earliest. Once they hit bottom, they are likely to stay for several years. Victims are already emerging among Pudong's Asian investors, as Thailand's C.P. Group and Daewoo of Korea seek to scale down or scrap projects.

There are even concerns about Mori's 94-storey tower, the tallest in the world, though the Japanese group insists it will be finished on schedule in 2001.

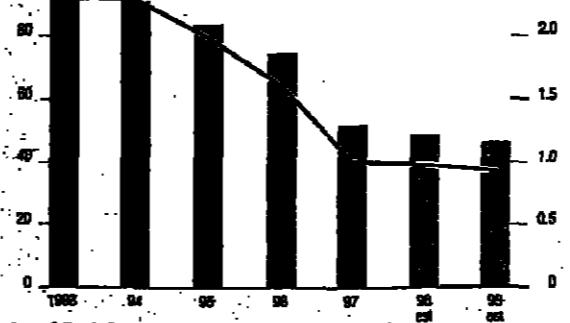
Even more worries centre on banks. "There was a stampede,"

oversupply of property will pose problems for the banking system," says Morgan Stanley. China's banks are already burdened with bad debts to loss-making state enterprises. Loans to companies and institutions that funded themselves as property developers threaten to make matters worse.

The symptoms look alarm-

ingly similar to those that have led to popping sounds all over Asia, as one property bubble after another has burst. So, is Shanghai fostering a herd of white elephants on the banks of the Huangpu river? Or can the city escape the fate of other Asian developments?

Shanghai: high-end office rents and occupancy



Odds are that Shanghai will scrape through. Over the past year, the municipal government has restricted the supply of land for the development of high-end offices in Pudong. For foreign financial institutions, the centre of gravity in China has already become the new development zone. (Though even if all the foreign groups in China moved to Pudong, they would only occupy a fraction of the vast office space.)

Shanghai's property developers may also be less fragile than regional counterparts. Although precise funding figures are difficult to obtain, much of Shanghai's international property investment has come from the big Hong Kong developers, with a large portion comprised of equity rather than loans. Most have robust balance sheets and can afford to switch their strategies from short-term sales to longer-term leasing. That pushes rents down, but

wants to conduct local currency business in China or insurance companies seeking to operate in the domestic market have to set up offices in Pudong. For foreign financial institutions, the centre of gravity in China has already become the new development zone. (Though even if all the foreign groups in China moved to Pudong, they would only occupy a fraction of the vast office space.)

COMMODITIES & AGRICULTURE

Palladium see-saws on Russia vote

WEEK IN THE MARKETS

By Kenneth Goudge

and Paul Solman

The price of palladium, an essential metal for some industrial and automotive catalysts, as well as electronic components, was extremely volatile yesterday. Starting below \$300 a troy ounce on the London bullion market, the price jumped quickly to \$323.50 after news from Russia that the country's lower house of parliament had rejected Sergei Kiriyenko, President Boris Yeltsin's candidate for prime minister, for a second time.

Russia, the world's biggest producer of palladium, accounting for 60 per cent of supply, did not export any in the first six months of 1997 because of bureaucratic hold-ups.

Many analysts expect a rerun this year because of Russia's present political upheavals.

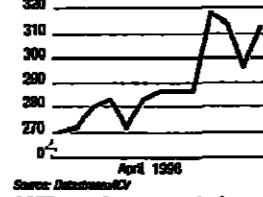
On Wednesday, palladium went to its highest price ever, \$361.50 an ounce, and since Tuesday it has been more valuable than gold. Although the price slipped back yesterday, to close in London at \$312.50 an ounce, it remained above gold, which closed at \$307.15.

On the London Metal Exchange, there was a late surge in copper's price as rumours of an explosion in a US refinery swept through the market. However, Asarcos said there had been only "minor glitches" at its Haynes smelter and it would restart after maintenance only one day late.

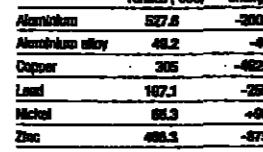
Oil production by mem-

Palladium

London spot price (\$ per troy ounce)



Source: Datastream

LME warehouse stocks^a

* Yesterday's close

bers of the Organisation of Petroleum Exporting Countries fell slightly last month to 27.45m barrels a day, the organisation said yesterday. That compared with 27.506m b/d in February, though three Opec members have yet to submit their output data for March.

The price of Brent crude rose again on London's International Petroleum Exchange. In late trading, the benchmark June contract was \$14.89 a barrel compared with Thursday's close of \$14.85.

On the London International Financial Futures Exchange, May coffee jumped to a 10-month high of \$2.025 a tonne before finishing down \$8 at \$1.956. Cocoa reversed its five-day slide, the May contract closing \$22 higher at \$1.018 a tonne.

Oil production by mem-

BASE METALS

LONDON METAL EXCHANGE

(Prices from Associated Metal Trading)

IN ALUMINIUM, 99.7% PURITY (\$ per tonne)

Cash - 3 mths

Close 1415-17 1444-45

Previous 1415-17 1445-53

High/low 1453-1442

AM Official 1415-16 1445-43

Open Int. 1451-12

Total daily turnover 269,007

\$/tonne

Total daily turnover 62,558

\$/tonne

IN ALUMINIUM ALLOY (\$ per tonne)

Cash 1255-50 1216-19

Previous 1255-50 1216-20

High/low 1251-50 1215-20

AM Official 1255-47 1216-16

Open Int. 1250-47

Total daily turnover 1,604

\$/tonne

Total daily turnover 1,604

\$/tonne

IN GOLD COMB (100 Troy oz; \$/troy oz)

Cash - 3 mths

Close 1415-17 1444-45

Previous 1415-17 1445-53

High/low 1453-1442

AM Official 1415-16 1445-43

Open Int. 1451-12

Total daily turnover 269,007

\$/tonne

Total daily turnover 62,558

\$/tonne

IN PLATINUM HYD (50 Troy oz; \$/troy oz)

Cash 416.5 +0.0

Previous 409.5 +0.0

High/low 412.0 409.0

AM Official 402.5 +0.0

Open Int. 412.0

Total daily turnover 2,607

\$/tonne

Total daily turnover 2,607

\$/tonne

IN PLATINUM HYD (50 Troy oz; \$/troy oz)

Cash 227.10 +0.0

Previous 225.10 +0.0

High/low 225.10 223.00

AM Official 223.00 +0.0

Open Int. 223.00

Total daily turnover 1,604

\$/tonne

Total daily turnover 1,604

\$/tonne

IN RHECUS (50 g per tonne)

Cash 550.5-5.5 576-7

Previous 550.5-5.5 576-7

High/low 550.5-5.5 576-7

AM Official 550.5-5.5 576-7

Open Int. 549.5-5.5 576-7

Total daily turnover 8,247

\$/tonne

Total daily turnover 8,247

\$/tonne

IN RHECUS (50 g per tonne)

Cash 526.75-5.5 545.5-5.5

Previous 526.75-5.5 545.5-5.5

High/low 526.75-5.5 545.5-5.5

AM Official 526.75-5.5 545.5-5.5

Open Int. 526.75-5.5 545.5-5.5

Total daily turnover 14,497

\$/tonne

IN RHECUS (50 g per tonne)

Cash 500.5-5.5 518.5-5.5

Previous 500.5-5.5 518.5-5.5

High/low 500.5-5.5 518.5-5.5

AM Official 500.5-5.5 518.5-5.5

Open Int. 500.5-5.5 518.5-5.5

Total daily turnover 7,3

\$/tonne

Total daily turnover 7,3

\$/tonne

IN RHECUS (50 g per tonne)

Cash 499.5-5.5 517.5-5.5

Previous 499.5-5.5 517.5-5.5

High/low 499.5-5.5 517.5-5.5

AM Official 499.5-5.5 517.5-5.5

Open Int. 499.5-5.5 517.5-5.5

Total daily turnover 23,957

\$/tonne

IN COPPER grade A (5 tonnes)

Cash 180.1-1.2 182.0-1.2

Previous 180.1-1.2 182.0-1.2

High/low 180.1-1.2 182.0-1.2

AM Official 180.1-1.2 182.0-1.2

Open Int. 180.1-1.2 182.0-1.2

Total daily turnover 4,411

\$/tonne

IN ZINC, special high grade (5 tonnes)

Cash 1084.5-5.5 1100-10

Previous 1084.5-5.5 1100-10

High/low 1084.5-5.5 1100-10

AM Official 1084.5-5.5 1100-10

Open Int. 1084.5-5.5 1100-10

Total daily turnover 1,604

\$/tonne

IN HIGH GRADE COPPER (COMEX)

Cash 180.5-5.5 181.5-5.5

Previous 180.5-5.5 181.5-5.5

High/low 180.5-5.5 181.5-5.5

AM Official 180.5-5.5 181.5-5.5

Open Int. 180.5-5.5 181.5-5.5

Total daily turnover 1,604

\$/tonne

IN HIGH GRADE COPPER (COMEX)

Cash 180.5-5.5 181.5-5.5

Previous 180.5-5.5 181.5-5.5

High/low 180.5-5.5 181.5-5.5

AM Official 180.5-5.5 181.5-5.5

Open Int. 180.5-5.5 181.5-5.5

Total daily turnover 1,604

\$/tonne

IN HIGH GRADE COPPER (COMEX)

Cash 180.5-5.5 181.5-5.5

Previous 180.5-5.5 181.5-5.5

High/low 180.5-5.5 181.5-5.5

AM Official 180.5-5.5 181.5-5.5

Open Int. 180.5-5.5 181.5-5.5

Total daily turnover 1,604

\$/tonne

IN HIGH GRADE COPPER (COMEX)

Cash 180.5-5.5 181.5-5.5

Previous 180.5-5.5 181.5-5.5

High/low 180.5-5.5 181.5-5.5

AM Official 180.5-5.5 181.5-5.5

Open Int. 180.5-5.5 181.5-5.5

Total daily turnover 1,604

\$/tonne

PRECIOUS METALS continued

IN GOLD COMB (100 Troy oz; \$/troy oz)

Set Day's price change High Low Vol Int.

May 307.5 +0.0 307.5 307.5 15 356

Jun 308.4 -0.1 310.5 308.3 21 323

Sep 311.7 -0.1 312.7 310.8 16 511

Dec 313.7 -0.2

MEAT AND LIVESTOCK

FINANCIAL TIMES WEEKEND APRIL 18/APRIL 19 1998

Swiss on rise**MARKETS REPORT**

By Richard Adams

The Swiss franc took a step into the foreign exchange limelight yesterday, to make strong gains against the dollar, sterling and the D-Mark.

The Bundesbank's decision to leave German interest rates unchanged and the weakness of the dollar against the Japanese yen allowed the Swiss currency to strengthen.

The Swiss franc was also helped by the Russian parliament's second rejection of President Boris Yeltsin's nominee for prime minister. But traders said profit-taking also aided the franc.

The Swiss currency ended the week in Europe firmer against all the major currencies. Its strongest gain was against sterling, which weakened by 2.1 centimes to \$1.685 by the close of London trading.

Against the Swiss franc, the US trade deficit of \$12.1bn - against data for February - fell to a four-

month high during early trading of \$1.687.

But its failure to breach the significant \$1.70 level caused it to fall back to \$1.685 by the close of London trading.

■ The US trade deficit of \$12.1bn - against data for February - fell to a four-

month high during early trading of \$1.687.

Robert Shapiro, the US Commerce under-secretary, said: "We must continue to press Japan to open up her markets... further deregulate her economy and stimulate domestic demand."

Etsuke Sakakibara, Japan's vice finance minister, said overnight that he had "grave concerns" over recent exchange rate developments. He also said Japan's economic stimulus plan was a strong and credible program.

■ The Bundesbank followed the French and Dutch central banks in leaving its interest rates unchanged. Rumours that Germany were considering raising rates circulated on Wednesday, when a funds drain was made by the Bundesbank.

But Hans Tietmeyer, the Bundesbank's president, denied that the funds drain gave any indication of tighter policy.

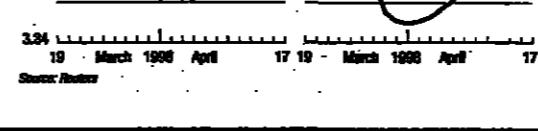
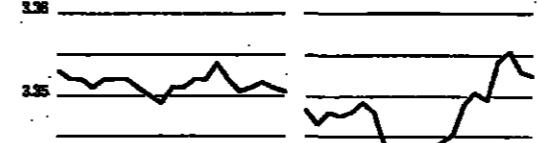
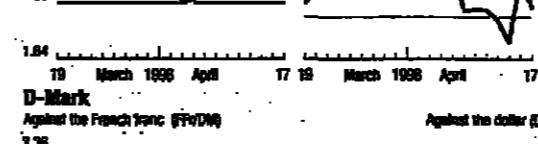
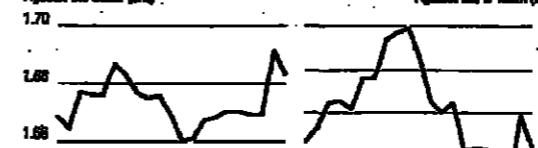
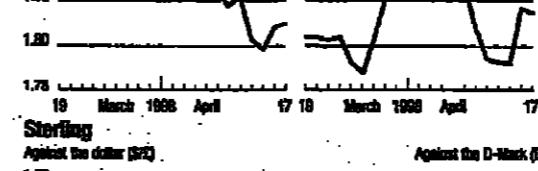
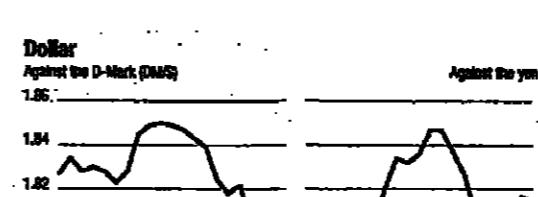
"We are not signalling any tightening for the time being, but of course we are monitoring the situation very closely and that means we have to see what is going on in the next month," Mr Tietmeyer said.

"There was clearly a misinterpretation of the allocation of our repo business. I think it is now absolutely clear that there is no reason for any misunderstanding. No, we are doing normal business. There is nothing behind it."

■ Sterling was rocked by news of the death of prime minister Tony Blair yesterday. Rumours that Mr Blair had been involved in a serious accident swept through the London market during early afternoon trading.

But the rumours were quashed after banks deluged the Downing Street press office with calls. "That is not true. He is fine. He is flying to the Middle East," a Downing Street spokesman said.

The pound looked to have knocked less than half a pence off the rate of sterling against the D-Mark.

**CURRENCIES & MONEY****WORLD INTEREST RATES****MONEY RATES**

	Apr 17	Over night	One month	Three months	Six months	One year	Lend. rate	Dis. rate	Repo rate
Belgium	3.15	3.21	3.15	3.15	3.15	3.15	6.00	2.75	-
France	3.12	3.14	3.15	3.15	3.15	3.15	4.50	2.50	3.30
Germany	3.15	3.15	3.15	3.15	3.15	3.15	5.15	2.50	3.30
Ireland	3.15	3.15	3.15	3.15	3.15	3.15	3.15	2.50	3.30
Italy	3.15	3.15	3.15	3.15	3.15	3.15	7.00	5.50	5.20
Netherlands	3.14	3.21	3.21	3.21	3.21	3.21	3.25	3.20	3.20
Switzerland	1.16	1.18	1.18	1.18	1.18	1.18	1.18	1.18	1.18
US	5.16	5.16	5.16	5.16	5.16	5.16	5.16	5.00	-
Japan	5.1	5.1	5.1	5.1	5.1	5.1	5.1	0.50	-

US one month bank rate (1000) in the USA London rate, West of 11am.

US 30 day bank rate (1000) in the USA London rate, West of 11am.

London interbank bank rate (1000) in the USA London rate, West of 11am.

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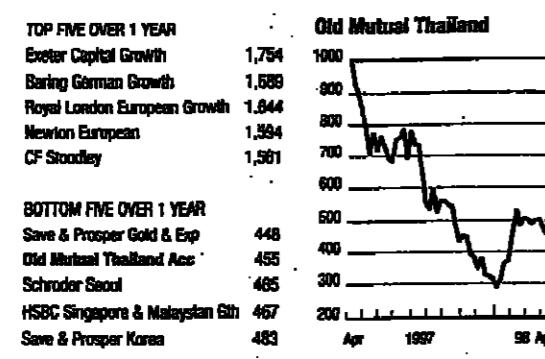
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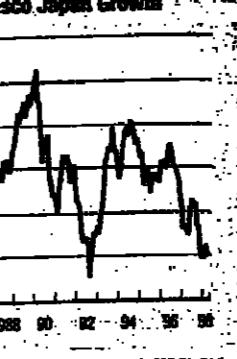
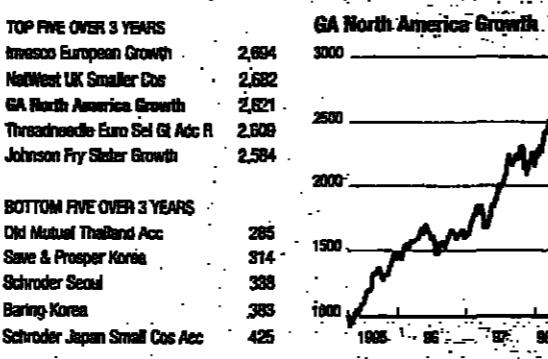
One month bank rate (1000) in the USA London rate, West of 11am.</div

UNIT TRUSTS

WINNERS AND LOSERS



Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance.



Source: Reuters (Ref: 01025 51271)

Indices									
	1	3	5	10	Yield %	1995	1996	1997	1998
Average Unit Trust	1,167	1,515	2,010	3,228	3.5	2.3	-	-	-
Average Investment Trust	1,236	1,684	2,209	3,838	5.8	4.3	-	-	-
Banks	1,042	1,118	1,203	1,765	6.6	5.7	-	-	-
Building Society	1,639	1,113	1,302	1,750	6.9	5.4	-	-	-
Stockmarket: FTSE All-Shares	1,303	1,960	2,269	4,324	2.7	2.8	-	-	-
Inflation	1,274	1,067	1,151	1,915	6.3	6.3	-	-	-

UK Growth

Johnson Fry Slater Growth

DMT Hartley

Exeter Capital Growth

Standard Life UK Eq Growth Acc

River & Mercantile 1st Growth

SECTOR AVERAGE

UK Growth & Income

Fleming Select UK Income

HSBC Pools Fund

Laurence Klein Income & Growth

Britannia UK General Inc

Fidelity Moneyboxer Growth

SECTOR AVERAGE

UK Smaller Companies

NatWest UK Smaller Cos

Gartmore UK Smaller Companies

Laurence Klein Smaller Cos

Smith & Williamson Small Socs

Schroder Smaller Companies Inc

1,115 1,657 1,959 2,534 3.1 1.4

UK Equity Income

Jupiter Income

BWD UK Equity Income

Fidelity Income Plus

Britannia High Yield Inc

Royal & Sunall Equity Income

SECTOR AVERAGE

UK Equity & Bond Income

Aberdeen Profic Ext Income

HSBC High Income

Edinburgh High Distribution

CIS UK Income

Midland Monthly Income

SECTOR AVERAGE

International Equity Income

GT International Income Inc

Martin Currie Int'l Income

Maytree Global Income

M&G International Income

Premier Global 100

SECTOR AVERAGE

International Fixed Interest

Baring Global Bond

ABIS Int'l Bond & Convertible

Newton International Bond

Financial Bedrock Int'l

Barclays BS Int'l Fix Inc

SECTOR AVERAGE

International Equity & Bond

Fleming Special Opportunities

Bank of Ireland Ex Mgt Growth

1,226 1,732 2,026 3.5 3.6

International Equity & Bond Income

1,201 1,755 2,161 3.0 3.6

International General

Ivy & Sons ISIS

Schroder UK Growth

Fidelity Special Values

Fleming Energies

Legal & General Recovery

SECTOR AVERAGE

Smaller Companies

Gartmore Smaller Companies

INVECO English & Iris

Kennedy Small Companies

Academy Smaller Companies

Perpetual UK Smaller Cos

SECTOR AVERAGE

UK Income Growth

Investors Capital Growth

City of London

Investors Capital Units

Temple Bar

1,203 1,695 1,955 10 4.0 3.5

Venture and Derv Cap

Foreign & Co Enterprise

Cardover

Thompson Clive

Mercury Growcer

Radnorstar

SECTOR AVERAGE

Int Income Growth

British Assets Ordinary

Societies Trust of Scotland

Murray International

SECTOR AVERAGE

UK Ethical Trust

Albert E Sheep (0845 070 0265) UK Growth

This is AES's first ethical trust, managed by a vegetarian. The stockholder already runs ethical portfolios of shares.

Note: "1 percentage point reduction on initial charge. If you can be Peppped, 4% point discount on initial charge.

The ethical criteria exclude investments in gambling, alcohol, armaments or pornography production, "leisure" products or animal testing.

UK Independent Income Portfolio Trust

Henderson (0800 212256) Fund of funds

Authorised Investment Funds

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4376 for more details.

FT MANAGED FUNDS SERVICE

**AUTHORISED
INVESTMENT
Funds -**

Unit Trusts and OEICs
(Open-ended investment companies)

Int. Net Sales Price * 1st May 1998

Int. Net Sales Price * 1st April 1998

Int. Net Sales Price * 1st March 1998

Int. Net Sales Price * 1st February 1998

Int. Net Sales Price * 1st January 1998

Int. Net Sales Price * 1st October 1997

Int. Net Sales Price * 1st September 1997

Int. Net Sales Price * 1st August 1997

Int. Net Sales Price * 1st July 1997

Int. Net Sales Price * 1st June 1997

Int. Net Sales Price * 1st May 1997

Int. Net Sales Price * 1st April 1997

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LONDON SHARE SERVICE

COMPANIES & FINANCE

Hambros sets out plans for the tail-end

By George Graham and Christopher Adams

Hambros yesterday announced plans to demerge its controlling stake in Hambro Countrywide, the estate agents, and said it had "identified certain parties" who might bid for the shell of the once-great merchant banking group.

The emergence of potential bidders put the spotlight on the exotic collection of equity investments which form the bulk of Hambros' business after the sale of its banking operations to Société Générale of France for £280m.

But Hambros' share price hardly moved yesterday, closing 1p higher at 235p.

Besides the 51 per cent stake in Countrywide, valued at £256m, Hambros' investment activities include Berkeley Hambro, a substantial property company and

the bank's private equity group.

In addition, Hambros owns a portfolio of direct stakes ranging from port - a 17.7 per cent stake in wine merchants Cornley & Barrow to cigars, in the shape of 39.3 per cent of the cigar trader, Hunters & Frankau. Other stakes include 0.5 per cent of housebuilder Persimmon, 9.6 per cent of the Rebus computer services group, and 20.7 per cent of the Travelodge chain of guest houses.

The potential bidders for the Hambros group are not interested in Hambros Insurance Services, the loss-adjusting and legal services company in which Hambros owns 52 per cent.

HIS said it had appointed D.J. Phoenix Securities to review its options. It might distribute the Hambros stake, seek an equity or joint venture partner, or conduct a share buy-back.

The break-up of Hambros

Division	Adjusted asset value (£m)	Status
Hambros plc	231	Net cash from sale of bank to SocGen
Investment Group	167	Subject of possible bid
Hambro Countrywide (51% owned)	256	To be disposed
Hambro Insurance Services (52% owned)	36	Future under review
Guinness Flight Hambro (44% stake)	46	Looking at possible buyers
Total value	735	

Source: Company data, FT estimates

Fishers International has approached Hambros twice in the last year about HIS, but has made no formal bid. Other potential buyers include Crawford THG and Ellis & Buckle. All three are providing processing and loss-adjusting services.

HIS is under less pressure to find a partner than it would have been three years ago. Interim pre-tax profits increased this year to £9.8m.

Guinness Flight's management is unsentimental about Investec, and has also appointed DLJ Phoenix to look for other buyers.

If investors were to bid for Hambros, it would gain 88.5 per cent of Guinness Flight without triggering the pre-emption rights of the management, who own 11.5 per cent.

Hambros also owns 22.3 per cent of another fund manager, Strategic Value Corporation, with C\$2.2bn (\$1.2bn) under management.

Hambros was unable to distribute its shares in Countrywide directly to shareholders without incurring a tax charge. The demerger will therefore take place through a reduction in capital: shareholders will receive one new Hambros share

with a different nominal value, plus Countrywide shares in proportion to their holding. Investors are likely to receive 79 Countrywide shares for every 100 Hambros shares held.

The Hambros group holds \$231m of net cash resulting from the bank sale. The listed stakes in Hambro Countrywide and Hambro Insurance Services are valued at £256m and £36m respectively.

The investment group's book value last September stood at £131.5m.

Adding in Strategic Value and Guinness Flight gives a possible value of £788m. Shareholders stand to receive less than that, however. Besides running costs and adviser's fees, principally Schroders, it is likely to face tax liabilities on some disposals.

See Lex

EMI agrees £12m pay-off in restructuring

By John Sapper

EMI Group, the music recording and publishing group, yesterday tried to end a damaging period of instability by restructuring its senior management and agreeing a £12.5m (£21m) pay-off to Jim Fifield, head of its music division.

Mr Fifield, who decided to leave his post after the board rejected a proposal to promote him to group chief executive, will receive £8.3m for the early termination of his contract. He will also be paid a £6.2m pension contribution to which he would have been entitled when his contract expired next March.

EMI added appointing a group chief executive under Sir Colin Southgate, its executive chairman, by promoting Simon Duffy, finance director, to the new position of joint deputy chairman with Sir Peter Walters.

Shareholders said the pay-off to Mr Fifield was as expected, although they were unhappy at the amount. However, they were puzzled by Mr Duffy's new role, which EMI did not explain in its announcement.

One institution said EMI "should have spelled out what it meant so we could at least understand it." The new structure "sounds like a stop-gap arrangement that does not address the root of the problem."

Sir Colin said Mr Bandler and Mr Berry were "acknowledged as two of the most talented music executives in the industry" who would help EMI's "direction and strategy". He made no reference to the enlarged role of Mr Duffy.

Nissan W:

Strong do... curbs grow at McDon...

Stock control hits Laura Ashley

By Robert Wright

Shortages of popular lines in Laura Ashley's US stores helped to depress results in the year to January 31, the retailer said yesterday.

David Hoare, chief executive, said that popular lines had been discounted as sharply as less popular ones when the company's over-high stock levels were reduced, creating shortages.

The problem contributed to a fall in US retailing results, from a £3.3m pre-tax profit to pre-tax losses of £1.1m, even before £1.3m of exceptional charges.

There have been particular problems with bigger stores in the US, forcing the company to include a £9.4m provision in the charges for closing up to six large stores.

Ashley announced earlier this year that it was to sell its Welsh factories, but Mr Hoare said the negative publicity surrounding the company meant little progress had been made in selling them. A further £2m provision had been taken for the sale.

The North American stores were down 20 per cent like-for-like for the first 10 weeks of the current year.

Comment

• The fact a little-known Malaysian conglomerate is riding to the rescue says much about the situation: better-known operators with wider experience of the US appear highly reluctant to chance their arms with Ashley. Analysts predict pre-tax losses of about £16.7m this year, with profits unlikely for about three years. MUI's cash injection, and the debt reduction, should have helped to improve forecasts, but the appalling like-for-like figures suggest trading is even worse than expected.

There is no dividend for the year.

Operating losses were £2.6m (profits of £1.4m), leaving losses per share of 20.5p (earnings of 4.2p).

Alchemy tipped to raise £250m

By Katherine Campbell, Growing Business Correspondent

Alchemy, the investment boutique founded by Jon Moulton last year, is expected to raise up to £250m to be targeted at companies in the UK, Germany and Switzerland over the next 12 months, giving it a place in the super-league of European private equity houses.

Mr Moulton's unusual one-year rolling funding structure would arguably give Alchemy five power equivalents to that of a film 10-year fixed-life fund, the more usual industry model, because the latter would typically be invested in the first four or five years of its life.

A handful of established private equity managers have raised large investment pools, such as Schroder Ventures, where Mr Moulton worked until 1994, though even its fund is only \$1bn (£500m). The largest is the £2.5bn fund from Doughty Hanson.

Investors - primarily institutions from the US, UK and Middle East - are expected to finalise their commitments within the next six weeks.

Alchemy stressed that the funds did not have to be invested within 12 months if the right opportunities were not available.

Mr Moulton's group has already invested about £30m in 12 companies, out of an initial pool of £100m. Its largest deal was the buy-out of Wellman, the engineering group, which it took private for £75m. The average transaction size is now £50m-£60m and Mr Moulton forecast some "lumpy" deals in the pipeline, worth several hundred million pounds.

He said he expected to invest between 30 and 45 per cent of the new money in Germany, where Alchemy will shortly open an office.

"The deal flow is remarkably strong. We are already getting two or three a week."

The biggest problem in Germany would be finding managers with buy-out experience, he said.

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Sir Colin said Mr Bandler and Mr Berry were "acknowledged as two of the most talented music executives in the industry" who would help EMI's "direction and strategy". He made no reference to the enlarged role of Mr Duffy.

Heavy trading in Cendant continues

By John Authers in New York

Trading continued at a hectic level yesterday in Cendant, the direct marketing company which announced late on Wednesday that it would need to restate its profits for 1997 following the discovery of accounting irregularities.

Cendant has also terminated the employment of Cosmo Corigliano, former chief financial officer of CUC International which merged with HFS to form Cendant last year. The company said this week that the irregularities stemmed from problems at the former CUC.

Cruises propel strong P&O quarter

By Jonathan Ford

Peninsular & Oriental Steam Navigation, the shipping and property group, yesterday said its cruise ships division had enjoyed a strong first quarter, boosted by growing demand in the important US market.

The cruise division, which operates 14 vessels,

increased volumes - measured in passenger days - by about 3 per cent to 1.3m compared with the first quarter of 1997.

Princess Cruises, P&O's US operator, increased passenger days from 930,738 to 985,939, while P&O Cruises saw a reduction from 353,400 to 336,140 - mainly as a result of the replacement of

the Canberra by the smaller Arcadia. P&O said that passenger yields were higher than last time, and bookings over the remainder of the year were higher than last year.

P&O's cruise operations contributed \$175.2m - or 30 per cent - of group operating profits last year.

The group has embarked on an expansion plan to capitalise on growth in the US market and has ordered six new vessels at a cost of £15m. These are to be delivered between now and 2001.

The first of these, the Grand Princess, is expected to enter service in May, and the group said advance bookings were strong.

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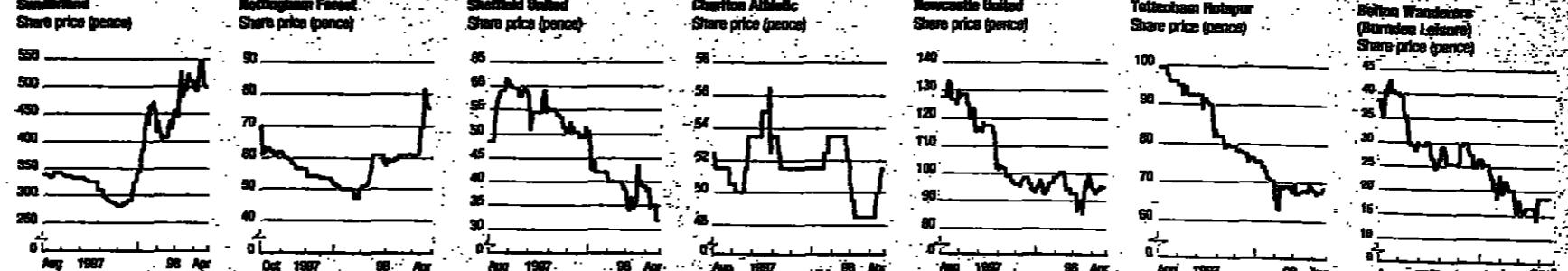
The biggest problem in Germany would be finding managers with buy-out experience, he said.

Shares vie with league positions as clubs anxiously await the final whistle

Patrick Harverson looks at the ups and downs of the now corporate world of football and the very high financial stakes involved as the season nears its end



Performance factor: promotion and relegation candidates



team's good performances. These clubs are seen as likely to earn less from going to the top flight.

In a report on the sector, the stockbroker Williams de Broe forecasts that promotion would add about £5m to Sunderland's pre-tax profits next year. Yet it calculates that the boost from promotion would be worth only £3m to Charlton, £2.7m to Birmingham and less than £1m to Sheffield United.

Michael Goldman, a fund

manager who invests in football clubs, says: "The biggest value ultimately is in the biggest brands. I'm not saying there aren't opportunities elsewhere... but if you look at some of the valuations of the big brand names they are absurdly low. Look at Chelsea's value: it's market capitalisation is two times turnover."

He would rather make a long-term investment in a Chelsea, Manchester United or possibly Sunderland, than

take a short-term gamble on Charlton or Sheffield United.

This view is representative of most institutional investors. Although shares in clubs who stay out of the market at this time of the season, even if institutions wanted to play the sector, they would find it difficult because liquidity in many football stocks remains poor.

"You can't buy or sell in size. The market would go against you whatever you were trying to do," says

one trader in the sector. So who is behind the sort of price volatility that last week saw shares in Nottingham Forest gain 15 per cent in one day and Sunderland lose 8 per cent because of weekend results? The answer is opportunistic marketmakers moving their bid and offer prices in search of business, and private speculators using their knowledge of football to gamble on the final outcome of league positions. For them, it is fantasy up."

Yet this is a game which holds no attraction for City professionals. As Mr Batram puts it: "It's as intangible that you can't really predict results, although as a football fan I've got my ideas of what's going to happen. For example, I don't think Tottenham will go down, but I think the situation there is not inherently attractive enough at this level to buy the shares even if they stay up."

RESULTS

Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year			
Allianz McNamee	Yr to Dec 31	1,712	(1,479)	50.2 (40.3)	22.5 (13.9)	5.4	July 1	5.8	8.7	8.8
Angle Vale	Yr to Dec 31	2.7	(1.41)	0.36 (0.02)	12.91 (418.1)	2	July 3	0.6	3	1
Ashley (Laura)	53 weeks to Jan 31	344.9	(327.8)	49.5L (16.2)	20.87	4.28	n/a	n/a	n/a	1
Barclays Health	Yr to Dec 31									

**MI agrees
12m pay-off
in restructure**

FINANCIAL TIMES WEEKEND APRIL 18/APRIL 19 1998

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Nissan warns after securities losses

By Paul Abrahams in Tokyo

Nissan, Japan's second-biggest carmaker, yesterday warned that consolidated net profit for the year to the end of March would fall nearly 80 per cent.

The group blamed huge losses on its securities portfolio and poor profitability in its domestic and North American operations.

The group said net earnings would drop from last year's Y77.7bn to Y16bn (\$7.5m), on turnover down 2.4 per cent at Y650bn. The profits decline was despite a

Y30bn gain on foreign exchange because of the yen's weakness.

Nissan said it planned to pay a year-end dividend of Y7 a share, as promised.

The warning was issued after the market closed and the shares were unchanged at Y370.

After the announcement, Moody's, the US credit rating agency, said it was considering downgrading Nissan's debt from BAA1, only three notches above junk bond status. Moody's said it was concerned by the carmakers' cash flow and high

debt levels. At the end of March 1997, Nissan had \$1.2 billion of liabilities associated with its leasing activities – of Y22.8bn compared with equity of Y16.6bn.

Nissan's problems are exacerbated by its relationship with the financially troubled Fuyo kiretsu, or business grouping. The Fuyo includes troubled companies such as Fujita, the construction concern, and Yasuda Trust.

Takahiro Morita, an automotive analyst at Moody's, said: "We're not looking at a

disaster scenario yet, but we have to look at the willingness and ability of the Fuyo group to support Nissan."

Nissan's Y50.4bn losses on its securities portfolio were predictable given the benchmark Nikkei 225 index ended the financial year more than 8 per cent below the 18,000 level of the previous year, said Edward Brogan, automotive analyst at Salomon Brothers.

However, the deterioration in Nissan's US and Japanese businesses had not been predicted, he said. Although the US market was buoyant, Ni-

san's sales fell 33 per cent in the first quarter this year. The group was suffering from lower-than-expected residual values on its car leases, while the supply of second-hand cars had expanded, hitting sales of Nissan's entry-level vehicles.

● Mazda, the Japanese carmaker, said its US joint venture with Ford planned almost to double output to 190,000 units in 1998, from about 100,000 units in 1997. It also said it had Y22.3bn in net unrealised losses on securities holdings at the end of the year to March.

Canadian banks respond to threat south of Toronto

T-D Bank's planned merger is seen as a defence against US consolidation, write **Edward Alden** and **George Graham**

W

hen Royal Bank of Montreal announced plans to merge in January, Charles Baillie, president of Toronto-Dominion Bank, described the plan as a tremendous opportunity for his own bank.

The merged bank would be difficult to run, he predicted, and T-D, Canada's fifth largest bank, would capitalise by stealing disgruntled customers.

However, the size of the new domestic competitor was already giving Mr Baillie second thoughts.

"We are having to look at what the implications are of a bank that has 40 to 45 per cent market share. You do wonder, when somebody has that large a share, whether you can still outperform them."

Yesterday, following a new wave of huge financial mergers in the US, T-D Bank announced it would merge with the Canadian Imperial Bank of Commerce, the second largest of Canada's five big banks. The new institution will have assets of C\$460bn (US\$320bn), putting it just behind the C\$478bn of the combined Royal Bank and Bank of Montreal.

It will be North America's tenth largest by market capitalisation, at C\$45bn, and will be known as the Canadian Imperial Bank of Commerce. Mr Baillie will be president and chief executive.

"On January 23 the competitive landscape changed," Mr Baillie said yesterday, referring to the announced merger of the Royal Bank and Bank of Montreal. "Moving it, down to two or three would give them a lot more firepower."

chairman of Bank of Montreal, was voicing concern about the competitive threat from less-growing US groups.

"Unless Canada responds,

we will get swamped by the megabanks an hour south of Toronto," he said.

There really is no need for five or six banks in Canada . . . Moving it down to two or three would give them a lot more firepower.'

Services in the US, and its aggressive strategy of buying up smaller discount brokers, the combined bank will now have the second largest discount brokerage in the world.

No other financial institution in North America currently offers the same combination of investment banking and discount brokerage, says Douglas Trott of Taddingstone Consulting Group, the banking strategy consultants.

But the motives for the merger are as much defensive as offensive. Canadian banks are facing growing competition in Canada from US firms such as MBNA's credit card services and Wells Fargo's electronic banking.

The question now is whether the Canadian government will tolerate two huge bank mergers any more readily than one. "It certainly gives people a clear picture of the choice," the finance ministry said.

Should Ottawa accept a few large banks that will be more competitive internationally, or should it force them to remain separate in the interests of domestic competition and consumer choice? The decision is a perilous one for the government, because Canada's banks are popularly seen as fat and complacent, reaping huge profits when wages are flat and unemployment high.

Paul Martin, finance minister, reiterated yesterday that he would not be pushed off his timetable. A task force on Canadian financial services is scheduled to report in September, and the government will wait until then to decide whether to approve the mergers.

But Canadian investors have long since decided what the answer will be. Canadian banking stocks are up 30 per cent on the year already and yesterday's news produced only a slight drop in share prices.

However, if Mr Martin says no this fall, the reaction may be rather different.

Strong dollar curbs growth at McDonald's

By Richard Tomkins in New York

McDonald's, the US fast food chain, yesterday reported profit growth of just 5 per cent in the first quarter as it struggled against the effects of a strong dollar, tough competition in the US and Asia's economic downturn.

Net profits rose from \$34.5m to \$38.2m, while stock repurchases helped lift earnings per share by 8 per cent to 52 cents, in line with analysts' forecasts.

Sales rose by 4 per cent to \$2.8bn.

McDonald's derives about 55 per cent of its operating profits from outside the US, and was badly hit by the rising dollar. If exchange rates had stayed the same, it said, net profits would have risen 9 per cent and earnings per share by 12 per cent.

Outside the US, McDonald's said it had been hit by the economic downturns in several south-east Asian countries. To minimise the effects, it had adjusted menus, changed suppliers, raised prices and reduced planned openings in some markets.

Operating profits in the Asia-Pacific region fell by 5 per cent in constant currency.

McDonald's is to close 13 of its 100 restaurants in Indonesia, despite the group's continuing expansion in the rest of the Asia-Pacific region.

The move is one of the most revealing signs yet of the crippling effect on corporate revenues – and consumer confidence – of the plunge in the value of the Indonesian rupiah.

It follows a dramatic downsizing of the company's popular "Happy Set" children's meal.

McDonald's introduced a new "Happy Set" menu in February, after the rupiah plunged against the dollar to 17,000, from less than 3,000 before last August.

The "Happy Set" no longer comes with a free toy or with French fries made from imported potatoes, which had tripled in cost in the six months to January.

But the changes were not enough to prevent a reduction in the number of McDonald's outlets – at a time when the company plans to invest \$1.5bn and open 2,000 new restaurants in the rest of the region over the next three years.

The decision to close the outlets reveals a reversing of prospects for the country's economic recovery. In 1997, McDonald's opened 44 new restaurants, or nearly half its total outlets in Indonesia.

McDonald's was well placed to benefit from the increasing affluence of the Indonesian middle class in the past few years. Its policy was to use only imported beef, mostly from Australia, as it believed Indonesian abattoirs did not meet its hygiene standards. But as the rupiah plunged, the policy proved financially crippling.

"We just have to adjust to the new conditions and stay in business, and to do that we have to keep prices as low as possible and get back to basics," said McDonald's Indonesia.

Others are not so flexible. The Regent Steakhouse, in Jakarta's Regent Hotel, is seen as the country's top steak restaurant, trading on the fact that its extensive

steak menu relies entirely on imported products.

But the price of its trademark tenderloin steak dish from the US has risen from Rp47,000 in August 1997 to a staggering Rp245,500.

"In US dollar terms, our prices are cheaper than they were last year," said Michael Branhame, the hotel's food and beverage director.

Steaks are now a dwindling feature at the Steakhouse, with chicken, lamb and hamburgers taking their place. The Regent has had to rework its menus, substituting local produce for imported while maintaining strict quality standards.

Meanwhile, profit margins have slipped to 1.2 per cent.

In January, Mr Baillie was remained sceptical about whether bigger was necessarily better in banking.

"There are economies of scale in discount broking, there are economies of scale in investment banking, but in commercial banking there is no empirical evidence of economies of scale."

The combined bank is likely to be more formidable on the international stage than the Royal/Bank of Montreal marriage. CIBC last year acquired Oppenheimer & Co. in the US, adding it to its Canadian investment banking arm CIBC Wood Gundy.

With T-D's acquisition in 1988 of Waterhouse Investor

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS

Figures in parentheses show number of issues of stocks

	THURSDAY APRIL 16 1998		WEDNESDAY APRIL 15 1998		DOLLAR INDEX										
	US	Day's Change	UK	Local Currency	Local % chg	US	Day's Change	UK	Local Currency	Local % chg	Year	52 week	52 week ago	High	Low
Australia (73)	218.88	0.3	191.75	182.15	215.00	224.16	0.3	218.31	192.10	178.47	208.95	224.80	190.26	215.94	
Austria (23)	222.46	-0.6	195.78	186.15	210.00	203.84	-0.4	224.73	197.71	186.12	200.00	225.10	194.45	176.73	
Belgium (20)	222.25	-0.5	195.78	186.15	210.00	203.84	-0.4	224.73	197.71	186.12	200.00	225.10	194.45	176.73	
Canada (120)	247.41	-0.2	216.74	208.10	225.20	257.49	-0.2	195	248.70	216.51	211.51	254.21	222.44	245.57	
Denmark (34)	517.77	-0.5	463.60	451.32	486.57	485.33	-0.2	521.75	450.21	450.21	487.43	486.33	521.75	486.33	
Finland (23)	414.54	-0.7	363.16	345.22	369.55	477.37	-0.2	189	417.62	367.47	341.41	396.15	478.14	417.62	
France (79)	301.14	-1.3	263	250.00	263.00	263.22	-0.2	306.13	268.20	248.45	266.07	288.43	303.13	281.81	
Germany (73)	284.73	-1.8	248.44	237.15	267.50	267.58	-1.2	280.24	259.44	259.44	271.23	271.15	284.73	254.18	
Hong Kong, China (65)	337.47	-0.1	282.00	270.00	310.00	310.00	-0.1	347.44	270.00	262.00	270.00	326.76	274.90	244.99	
Indonesia (27)	50.41	-4.1	51.04	48.33	54.75	267.70	-1.0	50.24	50.72	43.43	56.73	290.55	254.90	224.99	
Ireland (16)	548.71	0.7	480.70	479.00	515.65	554.82	1.4	1.75	544.86	478.43	445.43	501.03	547.31	484.71	
Italy (54)	172.35	-2.7	150.99	143.57	161.95	229.96	-0.3	1.08	177.07	152.44	147.47	165.42	235.23	177.15	
Japan (480)	96.18	-3.9	84.26	80.12	90.12	102.12	-2.3	99.09	100.21	88.00	93.47	101.79	98.52	110.20	
Malaysia (107)	185.87	-3.3	162.64	154.84	174.67	205.34	-2.3	195.18	189.57	187.59	190.45	207.05	195.75	193.70	
Mexico (25)	1864.48	-0.1	168.18	163.54	184.00	154.74	-0.2	149	1868.18	178.55	178.55	180.45	195.00	1868.18	

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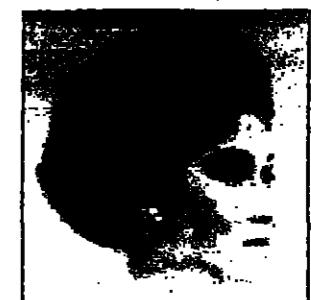
Inventive invective

'Foes of the former Australian prime minister were everything from a 'bloated toad' to a 'feral abacus'



Chemical attraction?

'Researchers discovered chemicals in chocolate which may appeal to the same part of the brain as does cannabis'



Feathered bird

'I am a phoenix emerging from the ashes of persecution, more beautiful, more godly and more enlightened'

Page III

Page II

Page XI

The fight that fizzled

Andrew Jack describes the spirit – and the ultimate futility – of the student troubles in Paris 30 years ago

Jean-Michel Bérard stood to announce his decision. His voice trembled. One hundred pairs of eyes were fixed intently on the young student as his classmates waited to hear whether he would stick to the pact he had made with them a few months before.

Like many of those watching him expectantly, he had taken part in the street demonstrations on the surrounding Parisian streets four years earlier in 1968. Now he faced a far more fundamental decision that would affect the rest of his life. "I remember his voice ringing in my ears," says one witness. "It was a real drama."

Two students had already spoken and stayed true to their word, ensuring that history would be made. For the first time, the highest-ranked pupils at the Ecole Nationale d'Administration (ENA), France's elite "finishing school" for top civil servants, had spurned the most illustrious openings available to them in the *grands corps*, in favour of careers in

'Revolution by violence was not the solution; the alternative was to fight from the inside'

less favoured ministries such as education and social affairs.

In doing so, they had helped write the concluding chapter to the student troubles of May 1968. To the world at large, theirs was a modest and even irrelevant gesture. But it was one that struck to the heart of the French establishment, and proved in many ways as potent a demonstration of discontent as all the barricades and violence that had preceded it.

The late-night discussions culminated in a show-down that would help propel some to fame, while leaving scars on others that have not healed to this day. It would also serve to symbolise the spirit – and in many ways, the ultimate futility – of the era, which proved very fertile in the creation of snappy catch-phrases but left little concrete legacy.

ENA might seem a curious place from which to examine the legacy of the generation of 1968. But the students who entered the school in 1970 for its two-year course – many of whom have gone on to prominent positions in public life – were imbued with the events of the recent past.

"I was a Maoist," says Catherine Bersani, who was later to swing to the right. At just 14, she had joined the Communist party in opposition to the continued French occupation of Algeria. She was expelled 18 months later for daring to criticise Stalin, at a time when Moscow firmly dictated the party line, and was in conflict with Beijing and Mao.

Politically, the events of 1968 represented a rejection by the baby-boom generation of General de Gaulle, 10



years after he had drawn up the constitution for the Fifth Republic and four after the conclusion of the bitter war for Algerian independence.

"There was an enormous gap between the leaders of the [second world war] resistance running the country, and the students," says Jérôme Clement, who went on to become head of the Cinéma and Arte television channels. "We still too focused on its colonial past, that it was too bourgeois and conservative."

Bernard Faivre d'Arcier, now head of the annual Avignon Festival, says: "Everyone had their own personal revolution; 1968 modified our perception of ourselves, others, the world. It was an extremely rich year in discussion and reflection, about the family, psycho-analysis, sexuality."

For bright students taking stock after the troubles of mid-1968, the civil service

was the logical career choice. And ENA offered the best possible terms of entry.

"It was the way to get to the heart of power to change it," says Clement. "After all, May 1968 ended in June 1968 with the failure of the student and union movement."

We concluded that revolution by violence was not the solution we had to find an alternative. ENA was a way to fight from the inside."

The 100 young *enquérants* selected for the class of 1970-72 had little contact with each other for the first few months of their course. In line with the practical tradition of the school, they were sent on individual assignments to work with professors – the posts created by Napoleon in 1800 to enforce the grip of the centralised, Parisian-based state around the country.

Before their studies began in Paris, ENA brought them together for a week in Janu-

ary 1971 at Font-Romeu, a mountain resort in the Pyrenees. Conflict developed rapidly. What name should they give to their "promotion" or class?

Those on the left –

ENA does not train people. It ranks them not by intelligence, but by conformity

ary inspired by the events that had taken place exactly 10 years earlier – proposed "the Paris Commune". Its supporters included Didier Bargas, then a militant communist who is now an inspector

with the education ministry, Christian Pierret, now the Socialist industry minister, and Louis Gallois, chairman of the SNCF.

Those on the right chose "de Gaulle", in memory of the general who had died two months before. "That was my first political combat," says a certain Alain Juppé, who would go on to become France's prime minister in 1995-97. Some of his classmates play down Juppé's role, saying he was more concerned with doing well in his exams than in politics. The name would win, but only by the narrowest of margins.

While the promotion of 1968 had been too absorbed in their studies to take much part in the demonstrations going on around them, that of 1969 made some tentative gestures of revolt. They publicly declared that "we are all socialist civil servants", before hastily withdrawing

their statement after the Gaullist government threatened to expel them.

But it would be the members of the "Charles de Gaulle" promotion, with 1968 fresh in their minds despite the reactionary name they bore, who would push the system to its limits. Ironically, while the 30 members of the recently created CFDT union debated broader societal issues, it would be a group of the less politicised students who took the initiative, led by Thierry Da, now head of the French operations of the insurer Sedgwick.

Very quickly, they were being sucked into the ENA *classement* system: the competitive rankings which would determine which job they took on graduating. The top 15 or so would have access to the three *grands corps* – the inspection des finances, the conseil d'état and the cour des comptes – which offered the most prestigious and best-paid jobs in the civil service.

This battle was already lost. The final act came in the Treille room at ENA, on May 31 1972. At the so-called *amphi-garnison*, students spoke out in the order of their grading to make their choice. Thierry Klinger was first. Paradoxically, although he had refused to have anything to do with the rebels, he merely confirmed his long-stated if unusual choice to join the ministry of the interior with the aim of becoming a prefect.

Denis Prieur came next. He had been the joint architect of Da's motion, and was regarded as the "moral con-

science" of the promotion. No one expected him to waver, and he did not disappoint. He, too, chose the pre-

dicted *grands corps*. Those who had been most successful were largely those who had shown leadership qualities and spoken out, whether for or against Da's motion.

Yet the *grands corps* had the last laugh. Sitting under the gilded ceiling of a reception room in Le Mans where he is now prefect, Jean Michel Bérard stresses repeatedly that his chosen profession interests him and that he has no regrets. But he adds that he would never advise his daughter, who is now preparing to go to ENA, to take on the establishment in the way he did. He adds: "The *grands corps* remain the best choice."

The promotion Charles de Gaulle was right in its criticism of the *classement* system. Those who ranked most highly were not automatically destined for the most brilliant careers, any more than those who joined the *grands corps*. Those who proved most successful were largely those who had shown leadership qualities and spoken out, whether for or against Da's motion.

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The first real test came with Bérard. He had opposed the motion, only signing out of solidarity with the majority CFDT decision. The son of a *conseiller d'état*, he had planned to follow suit. Now his ranking gave him the chance to fulfil his dream. In a scene vividly recalled by his classmates, he said: "My vocation is the *conseil d'état*. But I choose the prefecture." And he burst into tears.

Others would take a less honourable route. Bérard was followed by Jean-Claude Piris, another original signatory and now working at the *conseil des ministres* in Brussels. He broke his pledge, announcing his choice of

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Joe Rogaly

Bring me David

If organised labour no longer has the power, who will pull back the ambitions of the Goliaths?

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NEXT WEEK

Blairism

So what is Tony Blair really on about? Is there such a thing as Blairism?

In FT Weekend

AOL you

to Mars in

Scout

This trip is courtesy of the NASA web site. If you prefer Margate to Mars why not find a hotel through our exclusive Good Hotel Guide. To discover what other tasks AOL can help you to perform, call 0800 222 1234 and ask for your free trial pack, with one month's free membership, 10Mb of free web space, 50 free hours online, 5 free email addresses, 33.6Kps access speed, free technical support and a 'no obligation to continue' guarantee.

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WE MAKE THE NET WORK

PERSPECTIVES

The Nature of Things Forbidden love of eating chocolate

Why is this indulgence so compelling? Vanessa Houlder detects there is more than taste to it

Chocolate is one of the most compulsive of everyday pleasures. It is not merely delicious; it is also mildly addictive. Two out of five women and more than one in ten men admit to intense cravings for chocolate, according to a recent Canadian study.

So what is it about chocolate that makes it so compelling? The explanation is not fully understood, but seems to draw on elements of taste, chemistry and psychology.

Its taste, one might imagine, can explain a lot. It is rich, creamy and delicious. Moreover, chocolate, like wine, has a complex range of flavours and aromas which develop during the fermentation and roasting of the cocoa bean and surrounding pulp.

Savouring a piece of good quality chocolate is a delectable experience. Not only is there a perfect balance between sweetness and bitterness, but careful analysis reveals subtle flavours including fruit, wine, flavours for "food of the gods".

caramel, flowers, tea, almonds, butter and even cheese.

Its texture is also unique. Cocoa butter – the fat that occurs naturally in cocoa beans – gives chocolate its distinctive smoothness and its ability to melt at mouth temperature. It absorbs heat from the lining of the mouth, slowly releasing the rich chocolate flavour as it melts.

But analysing the subtleties of the taste and texture of chocolate may be missing the point. Some experts think that explanation of chocolate's appeal goes beyond the simple pleasure of eating it. In explaining why people get so hooked on chocolate, they look to ingredients that subtly influence the chemistry of the brain.

The addictive power of chocolate could lie with one or more of the 300 chemicals detected in it. There is little caffeine, but the main stimulant is a similar chemical, theobromine, named after the cacao tree, whose botanical name *Theobroma* is latin for "food of the gods".

Another intriguing sub-

stance in chocolate is phenylethylamine, of which there can be up to 0.7g in a 100g bar. This chemical, which has a fish-like smell when concentrated, has been shown to raise blood pressure, producing a heightened sensation and a feeling of well-being.

Recent research has

unearthed yet another set of chemicals that could explain the appeal. Researchers at the Neuroscience Institute in San Diego discovered a group of chemicals in chocolate which may appeal to the same part of the brain as does cannabis. It is not yet clear, however, whether these chemicals have any effect at the tiny concentrations in which they are found.

Some researchers are con-

vinced that such chemicals hold the key to explaining chocolate's appeal. Yet a simple experiment recently conducted by Paul Rosen, a professor in the department of psychology at the University of Pennsylvania, suggests the real expla-

nation lies elsewhere. He constructed an experiment for a group of undergraduates and their parents who experienced chocolate cravings. When they had the craving, they were asked to rate its intensity. They were then asked to open a box, eat its contents and 90 minutes later, re-rate the craving.

Unsurprisingly, when there was nothing in the box, people found that their cravings were undiminished 90 minutes after opening the box. Equally unsurprisingly, if there was a chocolate bar in the box, the cravings disappeared.

There was another intriguing result when the testers were given a box containing white chocolate. Strictly speaking, white chocolate is not really "chocolate", because it contains none of the solids other than cocoa butter. It does not have the aroma or chemicals of chocolate, but, significantly, it



has the same texture and "melt-in-the-mouth" property.

The white chocolate satisfied about half of people's cravings. Adding the capsules containing the chemicals did not make any difference to how they rated the craving.

The conclusion drawn by the researchers was that the allure of chocolate had little to do with its pharmacological properties.

But if it is not the chemistry that makes chocolate so attractive, could it be psychological? Some psychologists argue that we turn to chocolate for comfort because we associate it with treats in our early life.

Another theory is that we crave chocolate largely because we feel guilty about eating it. We feel under pressure to eat chocolate with restraint, if at all.

This may sound far-fetched. But consider these statistics cited by Rosen about people's attitudes to chocolate.

Over half of US citizens surveyed considered a diet with a portion of chocolate pudding every day was less healthy than the same with vanilla pudding. A quarter of US college women said that fat was one of the first three words they think about when they think of chocolate. One in five women in Philadelphia said they are embarrassed to buy chocolate in a shop.

This perception of chocolate is summed up by Rosen as being "both yummy and bad". When taken to excess, it would be hard to argue with this assessment.

Having sorted chocolate, the next task is to unravel the compelling attraction of guilt.



W

Being critical of politics has not tempered Paul Keating's pungent view of the world. Hisistic for straight talking, writes Gwen Robinson

W

August 1996 was £76,000. However, the business made a small loss of £1,600 because of start-up expenses. Turnover for 1996-97 increased to £124,000, with a net profit of £12,000. Venturi says profit was matched in the first five months of this trading year.

The main overheads are wages of about £20,000 a month for Venturi's three permanent employees and the temporary staff who help at big events, and rent and rates of £1,300 a month.

Keeping the shop and kitchen stocked with the best products ties up about £12,000 in capital. Venturi's best friend in Milan acts as her buyer and co-ordinates about five shipings a year to keep her stocked with sauces, herbs, spices, oils, sweets, biscuits and much more. She also has three UK-based suppliers who deliver fresh pasta, ham and cheese and wine weekly.

Venturi says: "I have 11 or 12 suppliers around Italy. It is quite a headache as they don't respect delivery times, they forget to put in invoices, some things come without labels. But their products are outstanding."

She faces tough competition from the supermarkets. "Italian food has just gone boom. The only way I can survive is by providing a very individual service. I have to keep my prices high and if people complain, they can go to the supermarket. What they are paying for in my shop is the quality."

Venturi is talking to a publisher about writing a cookery book and would love to be a television chef. "I want to be able to earn money without being on my feet all the time," she says.

■ *Italian Secrets*, 18 The Broadway, Penn Road, Beaconsfield, Bucks; tel: 01494 676136; fax: 01494 714599.

Minding Your Own Business

Shopping and cooking

Grania Langdon-Down looks at an enterprise that thrives in the heat of the kitchen



Customers can watch Anna Venturi teaching her classes through the huge window dividing the shop and the kitchen

Colin Beare

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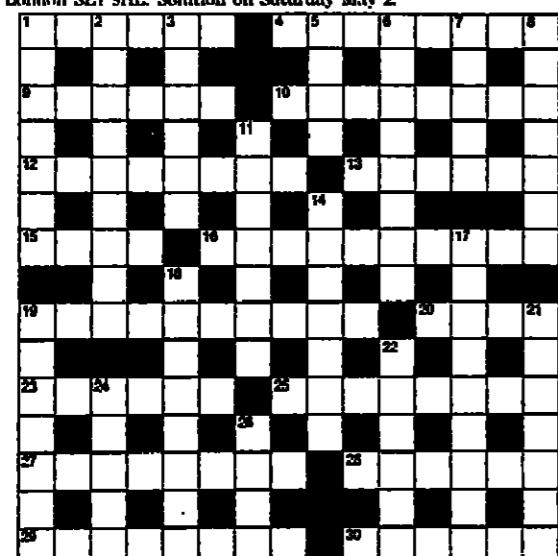
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CROSSWORD

No. 9,659 Set by CINEPHILE

The price of a matching set of finely engraved personalised personalised photo frames will be £100. The first prize is a £100 gift certificate from Crane's & Co will be awarded for the first three correct solutions. Solutions by Wednesday April 23, marked Crossword 9,659 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HT. Solution on Saturday May 2.



WINNERS 9,649: R.J. Laidman, Fulwood, Lancs; S. Turley, Beaconsfield, Bucks; J.M. Warner, Capel, Surrey.
Crossword sponsored by

Abels International
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SINCE 1801

ACROSS

- Tranquill – can't quite see when (6)
- 4 Wagons on small house paneling (5)
- 5 In Homo dealers have not a (5)
- 10 Watchman told to go home on the train (8)
- 12 Vegetable, insect, and possibly fish to a Scot (5)
- 13 Composer finds transport on island (6)
- 15 See 25
- 16, 24 "NII right" law, including gin family, possibly of Murray (22,14,5,4)
- 17 Stop me doing the washing up? (10)
- 20, 5 Say how old people are – and what are their means? (8)
- 21 Princes for authors? (7)
- 22 Monkey business has an effect (6)
- 27 For visitors' use: note, a sphere has length (4,4)
- 28 ... minus 11 (6)
- 30 It's mean to make your heart hurt (6)

Solution 9,658

TRIPLE HAWGSCOURT

H N I D H K E
E X T R A S O V E R C A S T
A E I E O S H E
T H R U S H P R E S I D E R
R E G F O D E S R
E A T I N G A
S Y T B A L Y I N G O
O S I E G O N T A
U L T I M A T E B E A R D S
N A P H R I U
C A P T I V I N G L A D D E R
E L C I T R E
S C E P T I C T R E

DOWN

- Container of grains, aggressive or defensive (?)
- See 25
- As a working hypothesis, it isn't you or I that hold the (5)
- Nearly leave a message outside (3,5)
- See 16
- Effective information (?)
- Fish cake (from Yorkshire castle) – with something like chips? (7)
- Alternatively, the home (6)
- It isn't true it's born of necessity (9)
- Military training – a little will make a hole (5,2)
- In a head wind, less speed will get less? (10)
- Princes for authors? (7)
- Monkey business has an effect (6)
- See 16
- It isn't true a foreigner's docked (1,2)
- Princes for authors? (7)
- Monkey business has an effect (6)
- At Love All, playing teams with rubber bridge scoring, the core of this problem is what South should bid at his first turn. I reasoned that 5D was probably the right spot and that, if I bid it immediately, the opponents were unlikely to bid 5H and would

Solution 9,649

GARAGE CHAINMAN

A A O E N E B D
T H I Y C L E N I
W I C K E D L Y Q R A T I S
A R O B
Y E A R P E D U C O N S
S Y T S G R A
A B S O L U T E L Y S C A R
B I S E R H O
S A V A C E A R D E N T L Y
O C H A M S E A
L A T I N H E F O M A L
V E R B A F A T
E A R L O B O M K E E H L Y

BRIDGE

To describe one's hand openly to inform a partner, or to veil its contents from your opponents? Which will be right, and when? Sometimes, my head tells me the former: my heart the latter. On this hand, from the final of the Devonshire Cup, my heart won, my head ached.

The final bill for everything from the structural work to buying a licence to sell wine, paying the legal fees and buying the doorsteps came to £27,000. Venturi says: "It was mad spending so much but I am very smug. I want the best. I put in some savings and the money I had made from my cookery classes."

Venturi, who is a sole trader, borrowed £7,000 from the local branch of Lloyds bank to ensure she had enough cash flow but was able to pay it back a few months after Italian Secrets

opened in September 1995.

"I didn't like paying interest and now I don't have any debts, which is how I like it. I don't pay myself anything yet – my staff get more than I do. But I have business reserves of £24,000, which I keep in a high interest account."

Things got off to a slow start. Some days, Venturi would serve only three customers in her shop all day. Overheads mounted. But, deploying her experience in public relations, Venturi was soon attracting interest from magazines and, in turn, from their readers.

Today, customers can watch meals being prepared by an ani-

mated Venturi, with her short, silvery hair and expressive hands, teaching her classes through the huge window dividing the shop and the kitchen.

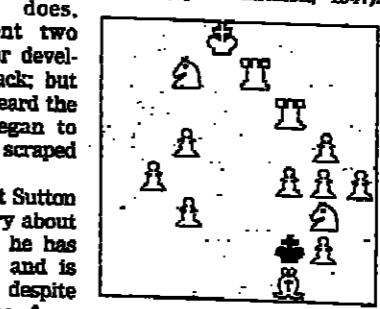
When she and Peace, 59, drew up the business plan, the cookery school was meant to be the heart of the business – but the catering side actually brought in the most profit as the margins were very good. "The difficulty with the cookery school is that there is only one me teaching – people want my accent," says Venturi, who learned English as a teenager during a year studying in a Cambridge language school.

Turnover during the first trading year from September 1995 to

have lost time and this lets in a white N at e6, so better N.

8 Ng6 Nf6 9 Bf3 f4 10 a4 11 Ne6 Bx6 12 dx6 g5 13 Ba2 Qe8 14 Rf1 White plans to break into Black's Q-side by Nd5 or c5, h5 15 Bf2 f4 16 f3 Ne6 g3 17 h3 avoids material loss, but then Black has no attack. 17 Nd5 Rxa8 18 fxg4 Nd4 19 e7 Rf7 20 gxf8 Nxe2+ 21 Qxe2 Nxd5 22 cxd5 Bb6 23 Qg4+ Kib8 24 Qg6 Bh7 Apparently Black can fight on in the endgame, but... 25 Rxc7 Resigns.

No 1227
White mates in five moves at least, against any defence (By W Kluszen, 1947).



After White's first move there are only two lines of play.

Solution, Back Page

Leonard Barden

Paul Mendelson

1 d4 g6 2 e4 Bg7 3 e4 d6 4 Nc3 Nd7 5 Nf5 e6 6 Bc7 Ne7 7 0-0 d4 8 Re1 Ne5 9 d5 Ne7 7 b4 f5? Black's knights

PERSPECTIVES

Joe Rogaly

Time for a new David to tackle Goliath

Now the trade unions have shot their bolt, workers must look to other champions

We hirelings are on our own. In the old days, many employees could look to a union for help. Only an eighth of the world's workers are organised now. The fraction has fallen since the collapse of communism. It is still headed downwards in most countries.

In one way this is a pity. The first rule of labour is: "You can't trust the bosses." Absolutely right. I would put it another way. You can rely on management to be beastly to employees, customers, officials and everyone else whenever circumstances so dictate. That is a fundamental proposition whose truthfulness cannot be denied.

So why, you may ask, are trade unions fading away, receding into the mists of 20th century history, destined to be for-

gotten before long? If we were writing doctoral theses we would respond with a list of headings - the decline in public-sector and blue-collar employment, the development by companies of "human resources management" strategies, the ability of planet-wide enterprises to move to the countries with the most flexible labour markets and so forth.

These are all part of what would be a long answer to the above question. In Britain, we have a short additional reply. Unions have nothing to look forward to because when they were in a commanding position they blew it. They abused their power, thought they owned the company, deluded themselves that they could strut about as if they were running the country. They had to be cut down.

We saw relics of past vainglori-

ousness this week, when a minority of delegates at a conference of Britain's National Union of Teachers behaved as badly as NUT radicals always do. Their chants were but squeaks compared to the roars that made us tremble when the most important actors in the British polity were the leaders of the miners, the rail unions, the steelworkers, the dockers.

You could say that fate has overreacted. New Labour is even-handed as between management and workers. On the one hand, it strives to meet the wishes of business; on the other hand, it is business whose wishes it strives to meet. This is not difficult to explain. The struggle between capital and labour has ended. Capital won.

The response of Britain's modern moderate unions is piquant. Their aim is to win public sympathy, so they smile and talk earnestly about fairness. That was not the strategy when their predecessors were on top of the world. They preened then.

The prime minister barely disguises his lack of fear of their successors. Sometimes, I wonder

whether he would bother to cross the road to have a cup of tea with them.

You could say that fate has overreacted. New Labour is even-handed as between management and workers. On the one hand, it strives to meet the wishes of business; on the other hand, it is business whose wishes it strives to meet. This is not difficult to explain. The struggle between capital and labour has ended. Capital won.

The Trades Union Congress

may soon be in dispute with Mr Blair's government over a law obliging employers to recognise its member organisations. The latter want recognition to follow simple majorities recorded in workplace ballots. Business, and therefore the government, seems set on diluting the process with a prescription of what constitutes a deciding majority. The irony of it is delicious.

The TUC could have had a recogni-

tion procedure in place and enhanced by case law if it had accepted the Conservatives' Industrial Relations Act of 1971.

But the doctrine at that time was that the law had no part to play in industrial relations.

Organised labour could see to its own interests, which meant it wanted no constraints. Today it longs for the embrace of the European Union's labour-friendly regulatory regime, looks forward to the minimum wage.

Enough, you might say. The lions have had their teeth drawn. Leave them be. Fine. We are left alone with our new masters, the large corporations, the ones which will always do you down if they can get away with it.

If organised labour no longer exercises countervailing power, who will pull back the ambitions

of these Goliaths? They are not yet as free to do as they please as were the British unions at their peak. Regulation and com-

pany law do exist. But compa-

nies know how to work around these. They hire lobbyists, influence opinion, award contracts to assessors of political risk.

If they are too successful, they will trip themselves up. The great lesson of the rise and fall of trade unions is that in plural societies no one institution can remain dominant for long. If any business, exultant in its current ascendancy, overreaches itself

nemesis will follow. I do not mean that we will flock back into unions. Expect no resurgence there.

But non-governmental organisations, consumer groups, competitors, even political parties are all potential reivers-in of rampant businesses. We may no longer combine as wage-slaves, but we are not absolutely alone after all, not yet.

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Being out of politics has not tempered Paul Keating's pungent view of the world or curbed his taste for straight talking, writes Gwen Robinson

What the world recalls most vividly about Paul Keating is the inventive invective. Foes of the former Australian prime minister were everything from a "bloated toad" to a "feral abacus". The strategy for toppling his predecessor as prime minister was "to knock him senseless without leaving any bruises".

But to central bankers and international leaders, Keating was the genius finance minister, a political pioneer who hitched a left-wing party to economic rationalism and took the middle ground from a centre-right party that had been the natural party of government. The British Labour renaissance owes much to the experimentation of Keating and Australian Labor in the 1980s.

So where do old leaders go? "You're on the stage or off it... when you go, nobody has any grip on you, there's no legitimate public interest in your life," he says. He has shunned interviews with the Australian media in the two years since losing an election, and has quietly built a consultancy, trading on his connections and wit. He was never going to be a corporate or political supplicant: "Look, having run this crowd for one-and-a-half decades, I don't relish the prospect of being in some subordinate position at some board meeting, and I'm not about lowering the flag to anyone."

Paul Keating is sitting, shoes off, at a low table on the *tatami* of one of Sydney's best Japanese restaurants, Unikai, or "Sea of Clouds". The man once supposed to have described Asia as "a place you fly over on your way to Europe" is reaching with chopsticks for a neat row of sushi. He orders tempura to follow and prefers cold *sake* to wine.

When you're no longer prime minister, he says, there is less distinction between working and non-working life. The thought of writing his memoirs, "going over old ground", seems to horrify him: "It's only here, or in the future, that all I've ever focused on... some ex-leaders, they're living in the past."

"One measure of a life is to be able to create. I've always believed one needs an inner life to be able to create anything, and well, there's a label on some English mineral water - only the Poms could write this sort of bullshit - that said... 'gently carbonated'. 'Gently carbonated', Well, one thing I hope I am never is 'gently carbonated'."

"And that is to say, if you don't feed your inner life, you can never really be effervescent, you can't be creative. Your imagination gets limited, you have to feed the inner existence, the inner life, so I try to do that. Not as an objective, but just simply as something you need to do. And I think that's what gives you some of the zest, and ability to keep looking forward."

Of all the disparaging labels hurled back at Keating, false modesty was not one. When he first padded into the *tatami* room, he went to the window and swept his arm across the dramatic view of the Sydney Opera House and the harbour stretching into the distance.

"Look at all that, just look... we started all that," he says, gazing towards the renovated foreshore below. "When we came to power, this was just an old



Paul Keating: "There's a label on some English mineral water - only the Poms could write this sort of bullshit - that said... 'gently carbonated'. 'Gently carbonated', Well, one thing I hope I am never is 'gently carbonated'." Michael Amendola

Lunch with the FT Off the heat, but still on the boil

industrial museum about to explode."

And then came Keating and Labor. "The whole thing, the remodelling of the whole place, the whole reconstruction, the social and economic reorientation of the country - that's it, not any one thing, just the whole shift, the whole tectonic shift... you know, the reorientation

to the republic issue. The truth of it is that the aspirations of Australians are not up to it, the IMF (International Monetary Fund) is not up to it, the World Bank's not up to it, and US policy's not up to it. So we're rattling through. Are you following the thread of this?"

You quickly realise that Keating's stream-of-consciousness repetition and the low, slightly urgent tone of his speech stem from an innate belief that his listeners are not fully understanding what he is trying to tell them. He can be the most avid of listeners if you are telling him something he doesn't know. But, more often, he comes across as a frustrated instructor trying to enlighten inattentive, less intelligent charges.

At home, many of his cherished policies are back in play. Native land rights, advanced by his government, are again at the centre of a bitter national debate. Labour reforms, which resulted in unprecedented co-operation between the government and a rowdy union movement, have turned back into the industrial equivalent of a bar-room brawl. Even the Australian Republic, set for the turn of the millennium, is opposed by the present prime minister, John Howard.

Keating likes the image. He laughs into his *sake* and orders some Japanese tea. His somewhat paternalistic self-righteousness is tinged with the sting of refection, and a streak of patriotic idealism. On reflection, he

says: "It's like the republic issue. The truth of it is that the aspirations of Australians are not up to it, the IMF (International Monetary Fund) is not up to it, the World Bank's not up to it, and US policy's not up to it. So we're rattling through. Are you following the thread of this?"

"And that is to drag John Howard to republic. The key thing is, the central proposition is, irresistible. There's only one question he has to ask himself: does he believe that any one of us, 13m Australians, is good enough to be head of state at the rest of us?"

He's not expecting a knight-hood for services rendered. "Let me tell you this, the only reward of public life is the achievement, that's the only reward, and certainly for me it was the reward - not to become something in the House of Lords, sitting next to some old septuagenarian, dribble out of his mouth."

He is, at least, putting his consultancy, Keating Associates, where his mouth is - Asia. In China, he is pursuing a licence for an Australian insurer, and is an admirer and friend of Zhu Rongji, the new premier ("He's sure-footed, not puffed up with his own importance"). He is also a visiting professor of public policy at the University of New South Wales (favourite theme, Asia) and an adviser to Deutsche Bank.

With the sense of ownership

that goes to a man who spotted Asia early, he laments the absence of western leadership in coping with the Asian economic crisis. "We, the western

world, just don't have right methods. Our institutions are not up to it: the UN [United Nations] is not up to it, the IMF (International Monetary Fund) is not up to it, the World Bank's not up to it, and US policy's not up to it. So we're rattling through. Are you following the thread of this?"

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have a lot to learn from the English political system." I said, "You know, I don't think one of my cabinet ministers knows how to pull a stocking over his head. I don't think there are any members of my party out there cross-dressing." Of course, they ran none of the interview."

His love of the Australian media is no greater: "These are fourth-rate minds writing for third-rate newspapers... the same people after 35 years still spewing bile. I mean, what are we doing?"

He does not allow himself regrets - "this is not about being in the regrets business" - but he has been disappointed by the missed political opportunities of the 1980s. "The US quite literally won the cold war, declared victory, then walked off the field. After 1945, it was the only dog on the street and, in many respects, still is the only dog on the street; it remains the most dominant military power, more dominant in a military sense than ever."

"But the world we're dealing with is now more complex and we've got to learn from the English political system." I said, "You know, I don't think one of my cabinet ministers knows how to pull a stocking over his head. I don't think there are any members of my party out there cross-dressing." Of course, they ran none of the interview."

"He mimics in a falsetto voice."

"He only wanted to remove nuclear weapons from the face of the earth, some trick. So the cold war has finished, but the nuclear system is still on full alert: US cities are still targeted and Russian cities are still targeted. That is a big indictment of policy-makers."

By Keating's reckoning, the modern leaders who have made the biggest impression include Chancellor Helmut Kohl, Indonesia's President Suharto and Do Muoi of Vietnam. As for Bill Clinton, he says, has injected vigour into US society. "But the international landscape is much unchanged... he wants to leave all the customers satisfied: you can't satisfy them all. I realised that early on. Satisfying the customer was not one of my priorities, but doing the job well was."

Clinton, he says, has injected vigour into US society. "But the international landscape is much unchanged... he wants to leave all the customers satisfied: you can't satisfy them all. I realised that early on. Satisfying the customer was not one of my priorities, but doing the job well was."

PERSPECTIVES



Moth-eaten yeti beats retreat

Mythical beasts are far less sinister than biotechnology, writes Michael Thompson-Noel

Things are speeding up. The amount of scientific knowledge unearthed in the past decade outstrips that available in all previous human history. Every 18 months, computer power doubles. Every 12 months, the size and scope of the internet doubles. The number of DNA sequences being analysed doubles every two years.

Almost daily, says US theoretical physicist and science commentator Michio Kaku, the headlines herald advances in computers, telecommunications, biotechnology, space exploration, and other fields.

"In the wake of this upheaval," says Professor Kaku, "entire industries and lifestyles are being overturned, only to give rise to entirely new ones. But these rapid, bewildering changes are not just quantitative. They mark the birth pangs of a new era."

For most of human history, he says, we could only watch, like bystanders, the beautiful dance of Nature. Today, in contrast, we are on the cusp of an epoch-making transition from passive observers of Nature to active choreographers of it.

The notion that humanity is in a "cusp" phase - at a momentous crossroads - is common among scientists in all disciplines, and stems, says Kaku, from the belief that an epic scientific phase is drawing to a close. In the era now ending, science unlocked the secrets of the atom, unravelled the molecule of life and created the electronic computer. Now, we are poised at the start of a new scientific era that promises to be vastly more penetrating than its predecessor.

Even a scientific backwater such as natural history appears to be in a cusp phase, to judge from an exhibition called *Myths*

and *Monsters* at London's Natural History Museum, which runs until September 13.

The exhibition is primarily for children. The day I went there, it was overrun by small primates, relishing the school holiday and jabbering excitedly as they rushed between the startlingly good animatronic exhibits.

But adults who attend will notice evidence for the belief that natural history, too, is traversing a cusp phase, for they are unlikely to miss the fact that modern-day monsters of the human imagination, such as the Himalayan yeti (abominable snowman) and Nessie the plesiosaur-type creature that was thought to inhabit Scotland's Loch Ness, have been reduced virtually to a pair with truly mythical creatures such as dragons, unicorns, Cyclopes, mermaids and chimeras.

Why should the yeti and Loch Ness monster, which until recently generated their fair share of (reasonably non-scorning) headlines, suddenly be kicked into the bargain basement of human mythology, alongside the fire-breathing chimera (lion's head, goat's body, serpent's tail), or the roc, claimed to have been a monstrous bird resembling an eagle or albatross that was so big it fed its young on elephants?

The answer, almost certainly, is that the human brain has lost patience with the yeti and Loch Ness monster. When it is being confronted by so many genuine scientific discoveries and developments, and when it is furiously formulating the dim outlines of new monsters with which to alarm itself, it has no more time for them. These new monsters are the ones striding towards us from the future: the monsters of biotechnology and of genetic manipulation.

The most popular explanation for the Loch Ness monster, says the Natural History Museum, involves the survival of a plesiosaur: a huge, long-necked, air-breathing marine reptile that lived 180m years ago and became extinct 65m years ago.

Yet plesiosaurs did not live in freshwater lakes such as Loch Ness, which has only existed since the last ice age. "Even modern sonar equipment, high-profile expeditions and the latest underwater technology have failed to [locate] Nessie," says the

Mortals are assuming the powers of ancient gods and starting to breathe life into new lifeforms

museum, adding, however, that "scientists continue to be challenged by unexplained accounts of this elusive and popular monster".

Similarly, stories of giant, hairy, bipedal, human-like creatures such as the yeti, living in remote mountain ranges and forests, have persisted throughout history. Modern-day reports range from stories of *yeven* in China and *ngau rong* in Vietnam to the Himalayan yeti and North America's Bigfoot.

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creatures still consists mainly of unreliable eye-witness accounts.

It occurred to me while wandering round the Myths and Monsters exhibition that, instead of Nessie and the *orang-pendek*, the human brain is now wrestling, instead, with contemplation of the likely offspring of the bi-molecular revolution, given that mortals are assuming the powers of ancient gods and starting to breathe life into lifeforms they have created, or will create.

"Within a matter of minutes," writes Prof Kaku in his latest book *Visions*, which explains the likely course of scientific development during the 21st century and beyond, "it is now possible to short-circuit hundreds of millions of years of evolution and create entirely new species of 'transgenic' animals which have never before walked the surface of the earth."

The DNA revolution, he says, has given us at least two startlingly divergent visions of the future. "One vision, promoted by the biotech industry, is that of health and prosperity: gene therapy will eliminate hereditary diseases and possibly cure cancer, bio-engineering will create new drugs to vanquish infectious diseases, and gene splicing will create new animals and plants which will feed the world's exploding population."

However, says Kaku, a far darker vision of the future is akin to that created by Aldous Huxley in *Brave New World*: a version of Utopia in which babies are mass-produced in embryo factories and cloned to produce a caste system of alpha, beta, gamma, delta and epsilon humans. Cloning will only produce carbon copies of individuals; genetic engineering promises the ability to change the human genome, and thus the human race, for better or worse.

Apart from our own biotechnological future, there is another group of creatures increasingly at home in the forefront of our imaginations: aliens. Indeed, the last exhibit in Myths and Monsters depicts a (curiously human-looking) extra-terrestrial, even though the organisers caution that it is probable that, if such beings exist, they are likely to be utterly different to anything known on earth.

With all this stuff going on, is it any wonder that poor old Nessie and the moth-eaten yeti are beaten an extremely hasty retreat?

and educated alpha elite.

Events, says Prof Kaku, have outstripped even Huxley's fertile imagination. Many biologists believe that only technical and legal barriers are preventing the cloning of humans. Quite soon, possibly, prominent athletes from past decades will be cloned by sportswear manufacturers or others keen to resurrect them; ageing, childless monarchs will bequeath their thrones to clones; graves of famous people will be raided to obtain DNA samples; dictators will create armies of cloned soldiers and slaves.

Barring some unforeseen technical problem, says Kaku, it is likely that human cloning will soon become a fact of life. Yet, for all the controversy likely to be generated initially, the ultimate social impact of cloning may be negligible.

While cloning raises thorny ethical issues, says Kaku, the moral dilemmas it poses pale in comparison with those raised by all-out genetic engineering of humans. Cloning will only produce carbon copies of individuals; genetic engineering promises the ability to change the human genome, and thus the human race, for better or worse.

Take our Friday night in a little-used theatre in the shadow of the freeway that leads out of San Francisco towards the strip of high-technology firms to the south. Ali and his buddies are throwing a party, a regular monthly social gathering called DrinkExchange, an important event for wuppies, or web yuppies.

The space, cavernous though it is, teems with web designers, wannabe internet tycoons, and even a few talent-spotting venture capitalists.

DrinkExchange began a year ago, when Ali sent out electronic mail invitations to a few friends, who forwarded them to theirs.

Now some 500 people mill around, buying drinks for each other, as the event's rules command, first, or swap tips about the latest, hottest internet

Dreams of the website wannabes

Nicholas Denton joins the internet venture hopefuls of Silicon Valley

Ali Partovi is a walking advertisement for Silicon Valley. At 25, he has wealth, fame - at least in the clubby world of internet professionals - and a dream to change the world. It looks effortless.

If only it were that simple.

He is already a millionaire, though, in terms of the funny money of Silicon Valley, the shares and stock options that are the currency of the young internet companies with no revenue, which spring up in the technology seabed stretching south from San Francisco.

LinkExchange, the two-year-old venture he runs in the city with a couple of college acquaintances, arranges the barter of advertising space between web publishers. With 250,000 sites participating in the exchange, the company reaches more web viewers than all but a handful of top media companies.

It is a Silicon Valley take on the American dream. Ali, and his colleagues Tony Hsieh and Sanjay Madan - the one sociable and the other two shy, even a little nerdy, all highly intelligent - are the offspring of immigrants from Iran, China and India respectively. They are less than two years out of university.

And their venture,

LinkExchange, is growing so rapidly it makes Yahoo! - a four-year-old internet navigation service now worth more than \$2bn - look like a stodgy member of the establishment. Their success certainly seems to reaffirm the notion that anyone with talent, determination and a good idea whatever their background, can make it in the US - especially in Silicon Valley, the last, best hope of the American dream, according to some immigrants.

"I don't think it matters here where you come from, which university you went to or your country of origin," says Mike Moritz of Sequoia Capital, the venture capital firm backing LinkExchange, himself born in Wales. "It is the caricature of the American dream, the home of the overnight success story."

Ali and his friends are having fun, which is the pinnacle of achievement in Silicon Valley, a community that sets little public store by conspicuous consumption, although it has certainly produced wealth. It gave birth to companies such as Intel, Oracle and Sun Microsystems, as well as a new horde of internet ventures.

Many of LinkExchange's 53 employees are college or school friends, many of whom also share apartments, who behave as if work was just an extension of a student party. "There are six or seven people from our dorm that we gradually recruited to join LinkExchange," says Tony. "One friend, he got off the bus, slept on the floor, and never went back."

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Now some 500 people mill around, buying drinks for each other, as the event's rules command, first, or swap tips about the latest, hottest internet

start-ups. Ali knows many guests by their e-mail addresses rather than by sight, which can be a little awkward.

Silicon Valley has long been inspired by tales of restless young men (yes, mainly men) who dreamed, did something new and, almost incidentally, made fortunes.

Already part of the canon is the story of Jerry Yang and David Filo, two Stanford University students who in 1994 started compiling a list of favorite internet sites in a trailer on campus and woke up one day to find they had created, in Yahoo!, the most valuable internet media company around.

And for every Yahoo!, there are a dozen myths in the making.

The wealth can be notional. Sequoia Capital, one of the valley's leading venture capital firms, invested \$3m for a minority stake in LinkExchange, and the venture would almost certainly command more than \$20m if put up for sale. But earnings are another matter.

Internet advertising revenues have generally been disappointing. Consumer goods companies, in particular, remain to be convinced that banner advertisements across the top of web pages are a good way to build their brands. LinkExchange does not disclose

It is a community that sets little store by conspicuous consumption

financial results, but it is a safe bet the revenues fall far short of costs.

For the moment, Ali, Sanjay and Tony, the three main shareholders, live in shared apartments, like most other recent graduates in high-rent San Francisco. They will likely only realise their windfall if the company succeeds in going public or is acquired.

And there is no guarantee of that. Mike Moritz, while confident of LinkExchange's success, warns: "The challenges of starting a small company are so intense that only the gifted and the lucky survive."

And Ali, Sanjay and Tony do not really prove that anyone can make it in America. All three of the LinkExchange management team, and many of its employees, went to Harvard University.

All's DrinkExchange events are noticeably short of blacks and Latinos.

Even the DrinkExchange parties, and the office foolery are just the flipside of a life consumed by work. "We had just come out of this tunnel of work, a good three months when no one went out, they just worked day and night. I was sitting with a friend on a Friday night, and didn't know what to do. There were so many people I hadn't seen in months, so I sent an e-mail out to 20 people and got about 60 responses back. People had been working so hard that they didn't have a social life. You could palm a pretty depressing picture."

But no one dwells on that. At a DrinkExchange party, all anyone sees is someone, obscurely young, having fun, making it, someone they want to be, someone they can be, damn it.

Including me: I am leaving the Financial Times after eight years as a journalist to join a small internet venture with big ambitions. The Silicon Valley stories may be airbrushed. But, like so many others, I want to believe them.

At midnight tonight, a great explosion of noise will be heard and repeated, over and over again, by millions of eastern Christians in the quietest and busiest corners of the earth. In monasteries tucked away in the forests of Romania, the Russian Arctic, or the red rocks of Mount Sinai, and in Greek-American parishes that mimic Byzantium in well-trimmed US suburbs, the drama of the Orthodox Easter service will unfold.

While western Christians remembered Christ's Resurrection last Sunday, the ceremonies of the eastern Church are only this weekend coming to their climax. Like western Christendom, Orthodoxy celebrates Easter on a different Sunday each year - but it uses an older, lunar system to make the calculation. This means that sometimes the two Easter celebrations coincide, sometimes they are separated by many weeks.

Truth of the Matter / Bruce Clark

Last steps in the Lenten journey

This year, the east was observing Palm Sunday - Christ's entry into Jerusalem on a donkey - as westerners munched their chocolate eggs. As midnight approaches, the Orthodox clergy, who will have exchanged their black vestments for the white robes of Easter, will take the last steps in their Lenten journey by leading their flock out of darkened churches for a procession complete with icons, jewel-studded Bibles and billowing incense clouds. And then, as priests and faithful trod back inside, the Resurrection flame is passed from one worshipper's candle to another until the whole building is awash with light. That is the moment when the Easter hymn is sung for the first hundred or so times: "Christ is risen from the dead, trampling down death with death, and on those in their graves bestowing life."

The Easter hymn, in Old Slavonic or Greek or Romanian or in English with a Brooklyn twang, is so familiar to Orthodox Christians that it is probably the last thing they forget when their faith slackens. But it is only the conclusion of a Lenten liturgy that the western church munched their chocolate eggs. While the east is still in the eastern liturgy, the western church has moved on to the Resurrection liturgy.

These hymns use metaphor on metaphor to explore paradoxes which cannot be articulated fully in the intellectual language of philosophers. There is an endless interweaving of images based on life and death, light and dark, summering and joy - and above all, power and powerlessness, the twin qualities of the God-man who prevails over a murderous world by submitting weekly to its cruellest punishment and forgiving his tormentors.

While the art and liturgy of western Christianity lingers - sometimes ghoulishly - on the suffering and wounds of Christ, the Orthodox hymnographer rarely mentions the pain of Good Friday without a counterbalancing image of triumph. To the eastern mind, western

tradition places too much emphasis on the Crucifixion as a gory blood-sacrifice, designed to propitiate an angry Father, and too little on Christ's victory over man's ultimate enemy, death.

The pain of Mary, and the human doubt and despair felt by Christ himself during his dying hours, prepare worshippers for one of the greatest paradoxes contained in the Resurrection story as told in the east: Christ's descent into Hell. This notion exists in the west, but modern Anglicans or Roman Catholics often gloss over it with embarrassment.

In Orthodox theology, this descent was God's ultimate act of judgment or "cunning": the same quality a Greek farmer would use to drive a hard bargain in the

vegetable market. Hell took Christ in, because it was foisted into thinking he was an ordinary mortal man. But little did Hell and its master realize that Christ would break the bonds of death, and rescue the other mortals in its grip.

"I cannot hold on to him, and with him I will lose all the others whom I had in my power," cries an infuriated prince of darkness, in one of the Easter Saturday hymns. "The crucified one has broken my tombs."

A favourite theme in early Russian iconography is known interchangeably as the Entry into Hell and the Resurrection. With great gentleness, Christ takes Adam, the forerunner of unredeemed man, by the hand and leads him away from the place of darkness and self-isolation, and towards the kingdom of God which is man's proper dwelling-place.

Christ does not come to Hell to punish or be punished.

Mana to bring home true B

Nigel Spivey considers accounts of the great stem-cell debate

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ANNE SPENCER BY PERCY FARGOTH

BY LISA LARDINE AND ALAN STEWART

BOOKS

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Denton is one of the internet experts of Silicon Valley. He has long been involved in the development of the web and has written several books on the subject. In this interview, he discusses his work and the future of the web.

Managing to bring home the true Bacon

Nigel Spivey considers two contrasting accounts of the great rationalist, statesman and scientific pioneer

He was the founding father of the frozen chicken. On Easter Sunday of 1626 Francis Bacon died in Highgate, then a rural satellite of London. It had been snowing hard. On his journey to Highgate, a scientific notion had darted into Bacon's mind. Would snow - frozen nitre, as he perceived it - not preserve flesh as well as salt? He immediately alighted from his carriage and purchased a chicken from a peasant at the foot of Highgate Hill. He commanded the fowl to be gutted on the spot, then himself began eagerly plumping it with snow. We do not know how well the chicken kept: but from this

FRANCIS BACON
by Perez Zagorin
Princeton University Press £19.95,
280 pages

HOSTAGE TO FORTUNE
by Lisa Jardine and
Alan Stewart
Collins £25, 637 pages

extempore research Bacon caught a terminal chill.

Contemporaries, who knew him as a pedastor, duly sniggered at the thought of Bacon's end in stuffing chickens. But even if the story is anecdotal, it provides more than an idly salacious epitome to Bacon's life and work. There were true vicissitudes in Bacon's political career, but he was never less than a full believer in the art of the possible. His reasoning about snow-packed chickens was typical of that spontaneous optimism and spirit of discovery. It is entirely congruent with Bacon's reputation in the history of science as a pioneer of the positivist method. What doctrinaire theory forbids the freezing of chickens? Let us observe what happens when we try to do it; in Bacon's own phrase, "put Nature on the rack": right now, at the foot of Highgate Hill.

Actually, the Baconian cry of "stick to the facts" no longer serves as the entry-motto to a modern scientific laboratory: cosmic theory, even mysticism, is back in fashion. At the time, however, Bacon was justified in believing his espoused intellectual system a liberation from dark-age obscurantism. His reasoning about snow-packed chickens was typical of that spontaneous optimism and spirit of discovery. It is entirely congruent with Bacon's reputation in the history of science as a pioneer of the positivist method. What doctrinaire theory forbids the freezing of chickens? Let us observe what happens when we try to do it; in Bacon's own phrase, "put Nature on the rack": right now, at the foot of Highgate Hill.

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A recent account of the Renaissance by Lisa Jardine was entitled *Worldly Goods*: arguing, in effect, that Lorenzo de' Medici would have found very heaven in a modern shopping mall. Correspondingly, the accumulative "worldly"

knowledge on the continent, Descartes,

Girls' journeys through pain

Joan Smith considers the parallels between the autobiographies of two Jewish women

Susan Miller grew up, unhappily and in an atmosphere of permanent tension, in New York in the 1950s. Stella Müller-Madel is a generation older, a girl who was born into a middle-class family in Poland but spent her adolescence in Nazi forced labour and concentration camps. What they have in common, apart from their Jewishness, is the experience of suffering at an age when other children are struggling just to grow up.

Both accounts are detailed and intense. The violence Susan Miller feared came from within her family, from an older brother who forced her to play sadistic games involving torture and near-suffocation. For Müller-Madel, the threat came from the outside world as she, her parents and her brother were driven from their comfortable home in Krakow to the ghetto, then to camps where they were subjected to almost unimaginable cruelty.

The striking difference between the two families is that Miller's parents, distracted by their own problems - most of them caused by her father's secret heroin addiction - did not intervene. Her mother was simply too worn down by anxiety while her father, many years later, admitted that he had not really been aware of his daughter. "I never thought of you at all as a person with feelings," he told her brutally.

The parents of Müller-Madel, by contrast, fought throughout their ordeal to keep their children alive. They managed to get transferred from the Plaszow camp, via Auschwitz, to a forced labour camp run by Oscar Schindler, the man whose story formed the basis

of Steven Spielberg's film. In 1945, against the odds, all four emerged from the camp and returned to Krakow, where Müller-Madel lives to this day.

Of course, there are superficial parallels between her narrative and the diaries of Anne Frank, another girl whose growing-up was done in the shadow of the Nazis. But the differences are just as significant. Stella Müller-Madel survived the camps and her autobiographical account was written many years after the event. In that sense, she has more in common with *Never Let Me Down*, whose epigraph - "Memory is a kind of accomplishment", a quotation from William Carlos Williams - might stand for both books.

Of the two, *A Girl From Schindler's List* is the more straightforward, sketching its author's life in Poland up to the moment she and her family were driven into the newly established Krakow ghetto. Part of the horror of her chronological account, as with other Holocaust narratives, is that the reader knows that the straitened circumstances in which she and her family find themselves will soon get much worse.

The book is novelistic, with long passages of dialogue, and it is impossible to know how accurately Stella Müller-Madel has remem-

bered exchanges which took place more than half a century ago. But what it expresses, above all, is the abiding horror of growing up in circumstances which necessitate a denial of human sympathy. Müller-Madel and her parents dare not show emotion as other prisoners are beaten, tortured and murdered in front of them. It is impossible not to wonder about the long-term effects on the sur-

rounding nature: by telling us he had the eye of a viper he says it all. But the aspects of best Bacon are what we seek. Planting tulips under his trees, and having his table daily strewn with fresh blooms and herbs. Drinking ale at night to quench his flickering imagination. Dressing his servants boys in boots of Spanish leather. Walking out into spring showers for the "benefit of irrigation".

Bacon's crest was, punningly, a wavy boar. Under the hide, however, was a rare delicate soul. The world is full of thrusting boars. John Aubrey's biographical discretion in hymning the delicate soul remains exemplary.

Miller's memoir has been hailed in the US as a dazzling debut. Yet the effect of its vocabulary, heavily influenced by psychoanalysis, and its circular structure, is to create an atmosphere akin to a protracted therapy session. Her re-working of material suggests not that she is travelling towards an eventual release from traumatic experience but that, like Spielberg's Holocaust survivors, she remains in thrall to it. Perhaps that is the point of Miller's book, her way of revealing the extent to which even the descendants of people who died in the Holocaust - her father's generation and her own - have been touched by it. How else to explain her father's emotional distance and his descent into addiction, her mother's horrors?

Miller's misfortune is that she has chosen such an American idiom for her book that it undermines the impact of her sad story. Like half a dozen other contemporary writers who are still trying to come to terms with difficult childhoods, her prose displays the deadening effect on language of therapy - and the limits of this kind of protracted self-analysis as a means of coming to terms with the past.



Put Nature on the rack: portrait of Francis Bacon by Paul van Somer

Fiction/Richard Skinner Exotic, lost world of tea and ritual

To westerners, the Japanese prediction for ritual can seem obsessive. The pleasures of, say, karaoke or sumo all depend on the deference to manners. During the 16th century, for example, officials laid down more than a hundred rules for the tea ceremony (*cha-no-yu*), specifying everything from the topics to be discussed to the thickness of the table lacquer.

Rather than occupy the mind, these rules were designed to free it, enabling tea-drinkers to achieve a Zen-like emptiness. In Arthur Golden's *Memoirs of a Geisha*, the young apprentice, Chiyo, is taught to treat every movement of the ceremony as "absolutely holy" and she describes the atmosphere of the *cha-no-yu* as "serene".

Golden's book begins when Chiyo is nine and her mother is gravely ill. Her father, a poor exhausted fisherman, is bereft. Acting on his behalf, a local businessman sells Chiyo and her sister to an *oiraku* (geisha house) in Kyoto.

This is 1929 and life is hard. Chiyo is separated from her sister, tries to run away, fails and is forced to be a maid until she is 14, at which point she becomes an apprentice geisha. From here, the story gains a new interest as we see how Chiyo, now renamed Sayuri, "turns her collar" and enters the codified, illusory world of a fully-fledged geisha.

Golden's descriptions of this rarefied life are remarkable in their detailing - the hairstyle an apprentice wears is called *momonare*, or "split peach", because of its resemblance to the female genitalia.

However, for all its richness, the novel is certainly not the indictment of prostitution and sexual ownership it could be. As one geisha observes, "We don't become geisha because we want our lives to be happy; we become geisha because we have no choice."

Global events, like the Depression and the second world war, are glossed over leaving us with a sense of frustration at Sayuri's naivete.

To be fair though, Golden's book never sets itself up to be such a critique. His interest in Japanese culture as an academic, not a political or economic commentator, is clear from the start. As a

constructor of narratives though, Golden is less certain - the pacing can be clumsy (including a massively truncated latter half of Sayuri's life) and the prose is, at times, simplistic.

Despite this however, Sayuri's story is fascinating. At the book's close, when she is running her own teahouse in New York as an old woman, the sense of having plunged into an exotic, lost world is poignantly tangible.

A tea ceremony also figures significantly in Robert Olen Butler's *The Deep Green Sea*. In Ho Chi Minh City, a 47-year-old

MEMOIRS OF A GEISHA
by Arthur Golden
Chatto & Windus £19.95,
426 pages

THE DEEP GREEN SEA
by Robert Olen Butler
Scribner & Hartung £9.99,
226 pages

Vietnam vet named Ben Cole returns to wander aimlessly through the streets of a city he still calls Saigon. Nothing much seems to happen until he finds himself in a room belonging to an attractive young Vietnamese woman, drinking tea at a "black lacquer table inlaid with white cranes".

The book opens with the two of them in bed, about to have languid sex. This moment is frozen, fractured and unbearably stretched to accommodate several flashbacks of their personal histories.

Butler manages to avoid some of the traps when writing at such a highly wrought pitch, but not all. Consequently, the moments between Cole and Tien that are supposed to be meaningful remain meaningless because they have such a narrow emotional range; and instead of being tense with each other, as the situation demands, they are intense.

Butler attempts to bolster the narrative by supplying odd, tragic backgrounds for the main characters and a somewhat melodramatic ending, but it is hard to enliven such an internalised story. Cole's propensity to be tactless grates after a while and Tien's stabs at coquettishness sound ill-fitting and misjudged.



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BOOKS

Brash and vulgar, a parvenu capital

Jackie Wullschlager is enthralled by a history of Berlin's horrific and turbulent past

Berlin becomes the capital of Germany in January 2000. But given its horrific past, how suitable or dangerous is it as a millennial capital lying at the heart of Europe? "No other city on earth," writes Alexandra Richie, "has had such a turbulent history; no other capital has repeatedly become so powerful and then fallen so low."

This ground-breaking and impressive book tells the

FAUST'S METROPOLIS: A HISTORY OF BERLIN by Alexandra Richie HarperCollins £19.99, 553 pages

city's story, from its origins until the present, like a tragic drama, sweeping and inevitable, yet punctuated by Richie's sceptical analysis, her mocking wit, and a cogent dissection of its urban myths. It is an enthralling mixture: Richie at once brings alive the connections and continuities of history and relentlessly queries the city's political and ethical status today.

Berlin's location, in a long plain of marshes and swamps stretching as far as Warsaw, exposed to cold winds from the east, embodies, says Richie, "its erratic, insouciant nature... It is neither an ancient gem like Rome, nor an exquisite beauty like Prague. It was formed not by the gentle cultured hand which made Dresden or Venice but was wrenched from the unpromising landscape by sheer hard work and determination". Early on, it was shaped by an event which

did not happen – unlike London, Paris, Cologne, it was not conquered by Rome, and that absence of cultured veneer has been apparent ever since. Berlin is brash, vulgar, a parvenu 19th century capital which has never been at ease with itself.

Julius Caesar thought the Germans too barbaric to be absorbed into the empire.

Through the early Middle Ages, the area around Berlin was a heathen wilderness, sandwiched between Christian Brandenburg and Christian Poland. Not till the 12th century, when it was a trading town of minimal importance, did Christianity triumph, and until the 15th century it remained a primitive outpost, stormed by robbers, beset by famine and plague.

It was saved by the Hohenzollern princes, alone among the ruling families of post-Reformation Europe in producing "a succession of four healthy male heirs none of whom was mad or deranged". They were obsessed, however, with the military, and by the time of Frederick William I, the Soldier King, intellectuals were referred to at court as "dog food" and a court jester was appointed to succeed Berlin in the Berlin Academy.

Thus was laid the ground work for the brute, uncivilised force of Prussia, the "army with a state".

Centuries of militaristic rule produced a population which by the 19th century was among the most docile in Europe. Berliners, said Lenin, were incapable of sustaining a revolution as they would never disobey the "do not walk on the grass" signs between them and the palace

gates. When Berlin became capital of a united Germany in 1871, sophisticated Germans from Munich, Leipzig, Hamburg continued to despise it, yet for a brief shimmering moment after the first world war its lack of historical civilisation made it the great centre of modernity, "the undisputed capital of 20th-century culture".

This is the Berlin of artis

tic legend – Brecht and Weill's *Threepenny Opera*, Isherwood's *Goodbye to Berlin* and the film *Cabaret*, the hard faces of prostitutes leering out of paintings by Georg Grosz and Otto Dix.

Richie sets this tantalising "unfinished metropolis", the ever-changing city which lured artists to fix its instability for posterity, against the cruel background of

1920s hyper-inflation and starvation. My wealthy grandparents married in Berlin at this time, and used to tell how the cost of the restaurant meal to celebrate their engagement doubled between ordering and eating it.

More than half this book is concerned with Berlin after 1933, when the city became the administrative centre of the most murderous regime in 20th century history. Much of the material here is well-known; Richie is distinguished by a broader historical context, by an attention to details which still shock, and by a concentration on the fate and reactions of everyday Berliners as their city collapsed, morally and physically, around them.

More bombs fell on Berlin

than on the whole of England; by 1945, 70 per cent of the city lay in ruins. Then the most primitive Russian soldiers, chosen deliberately, marched in to liberate the city by a mass programme of pillaging and rape.

For everyday civilians, the war in Berlin was more traumatic than elsewhere in Germany – of my father's class of 30 schoolchildren, only two survived; among older women, Richie notes that the Russian Tomb of the Unknown Soldier is universally referred to as the Tomb of the Unknown Rapist. But as Richie points out, this has left a complicated, still unresolved legacy: after 1945 Berliners east and west so identified themselves as victims of the war that they also

refused to face the fact that their city was

responsible for running the machine of terror that caused it.

Here Richie, whose family has lived in Berlin since the 13th century, is inexorable: she shows how ecstatically Berliners welcomed the Nazis in 1933, how the city thrived on the spoils of war

– "the soldiers in Bohemia sent home crates of beautiful crystal... those in Norway shipped for coats" – how dismal was the Berlin resistance, and how racial extermination across Europe was "planned, directed, sanctioned and recorded by the thousands of bureaucrats and officials who sat in their offices in the centre of Berlin".

After 1945, Berlin remained at the heart of world history, the divided city the most potent symbol

of the cold war. Two lost generations grew up – in the down-and-out "alternative" culture of west Berlin, from 1961 a walled, island city, and in east Berlin, capital of the GDR, where one totalitarian state evolved almost seamlessly into another.

Richie is excellent on the rewriting of history here, as the Stasi took over Gestapo networks while the Soviets reopened camps such as Buchenwald. The GDR, product of two vicious regimes and stoked by the famous Berlin dodgy, became the police state of police states – the Stasi was the country's single largest employer with a quarter of the population belonging to it, of whom 16,000 were full-time spies.

West Germany's eagerness to "buy" dissidents out of jail – at Christmas they were

swapped for oranges – provided valuable hard currency for the bankrupt state and ensured no alternative movement, such as Poland's Solidarity, got off the ground. "To this day," says Richie, Berliners "have never initiated a successful revolution". It was mass demonstrations in Leipzig and Dresden, encouraged by developments in the Soviet Union, which brought the Wall down in 1989.

Like Faust, Berlin has been given another chance. How it shapes up as capital of 21st century Germany, "the first successful liberal democratic capitalist united Germany", depends in part on how it assimilates its history. No one interested in Germany and its place in Europe can afford to ignore this mesmerising book.

Curious Berliners at the Brandenburg gate in 1989 after the fall of the Wall: the divided city had been the most potent symbol of the cold war

ANG Laike



Sad or sadist?

Are you the kind of person who reads an article about meningitis and is suddenly convinced that you have all the symptoms? Do you automatically feel your glands when the person sitting next to you admits to feeling flu coming on? Or do you check your pulse when you are told the average beats per minute of a healthy heart?

If the answer is yes, you may want to proceed with caution: Dr Peter C. Whybrow's thoroughly accessible and edifying book on mood disorders, focusing particularly on mania and melancholia, might leave you feeling a bit depressed.

If, however, you do get depressed, don't panic: according to Whybrow, depression (in moderation) is the sign of a healthy body. Depression, like stress, is a warning signal that your body is not in harmony with its environment and is undergoing the necessary self-modifications to return it to its natural equilibrium or "homeostasis". The human body's excellent capacity to regulate itself and adapt to an ever-changing environment is what has guaranteed man's success as a species. Mood swings are just another way the human body fine-tunes itself in the evolutionary process of optimising its potential.

Whybrow uses a quote from C.S. Lewis as an epigraph for his first chapter to help demonstrate the biological purpose of emotion. "No one ever told me grief felt so like fear. The reason grief feels so like fear is that our preservation as a species is dependent upon the presence of those we love – our fami-

lies and friends; so the grief we feel at the death of a family member, for instance, stems from our primordial fear of species extinction. Grief and fear are the biological side-effects of our own built-in mechanism for encouraging social stability by making instability painful.

Whybrow's main concern, however, is for those cases in which that pain and discomfort are so extreme as to

A MOOD APART: A THINKER'S GUIDE TO EMOTION AND ITS DISORDER by Peter C. Whybrow Picador £19.99, 363 pages

THE CRIMES OF LOVE by Marquis de Sade Peter Owen £9.99, 125 pages

Parker £11.99, 363 pages

be intolerable. Whybrow does not attempt to offer a neat answer to the cause of "mental illness"; instead, he highlights all the simultaneous factors that contribute to an individual's susceptibility or "vulnerability" to mood disorder in the hopes of dispelling some of the myth and stigma surrounding the disease. Whybrow rejects reductive arguments in favour of a more encompassing explanation in which everything from genes to upbringing – nature and nurture – even personal responsibility, are contributing factors.

This *Crimes of Love* is an atypical selection of work from a man whose example we cite as the prototype of sexual cruelty. Perhaps driven by remorse for having once "flagellated working-class women", Sade now becomes a champion (how-ever-tarnished) of the female cause, giving women the dominant roles in his fiction and always avenging their lost honour – rape and incest are crimes punishable by death. What is the moral of these delightful stories? Perhaps it's that even a sadist can feel sad.

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In Bruce Chatwin's novel about the nature of creativity, *Utz*, an obsessive collector of porcelain, delivers a brief history of its production in Europe. We learn that the word comes from the Portuguese for a little sow, *porco*, that the production of porcelain in late-17th century Europe was as mysterious and talismanic as the production of gold – and that indeed Johann Böttger, the man who eventually found the secret, was an alchemist who, despite being held captive by an avaricious Saxon potentate, managed to keep a monkey in his room and eat off a silver plate.

Having now read Janet Gleeson's longer version of the same subject, it appears

it may be one of the rare occasions where Chatwin actually underplayed his material.

The *Crimes of Love* stands

alone as a kind of "book apart" from the rest of Sade's work. The five stories found in this edition are taken from a larger collection of the same title, written while Sade was in prison (he was incarcerated for a period of 12 years on the behalf of his mother-in-law), and originally published in 1800.

They are essentially cautionary tales and, like the Brothers Grimm, Sade does not spare the gory details in trying to dissuade his readers from vice and encouraging them on the path towards virtue. Sade justifies this approach at the end of the first story by writing that, "we shall not regret the trouble we have taken in transmitting to posterity an event which, shocking though it is, could then serve for the good of mankind". In her introduction, Margaret Crosland suggests that the perversely puritanical sensibility apparent in these stories is evidence of Sade's attempt to clear his name and a reputation as a moralist – following in the footsteps of the *philosophes* whom he greatly admired.

On the first evening, the press lord offered Youngusband a dry Martini. When Youngusband attempted to refuse it in favour of another drink, "he took my hand and closed my fingers around the glass, and he said,

"You'll have a Martini." The journalist recalls in S.J. Taylor's book.

Taylor explains that unless Youngusband had done so, Rothermere would not have felt comfortable around him the notion that he might look kindly on someone who refused to follow his own preferences did not occur to him.

The mix of gentility and self-centredness was characteristic of one of the 20th century's least effectual press barons, a man consistently outsmarted by Max Beaverbrook, proprietor of the rival Daily Express. He emerges as having the eccentricity of a media mogul, but not the cunning.

Indeed, he so colourless a man was he that he gradually faded into the background. Instead, the Mail's mid-century procession of eccentric editors and flamboyant foreign correspondents take centre stage, together with his professional and personal rivals.

Rothermere, who took

charge of the family com-

pany Daily Mail & General

Trust in 1937, and presided

helplessly over falling circula-

tions figures and the rise of

the print unions, achieved one thing. He kept the news-

papers alive to hand over to

to have the hard-edged pro-

prietary quality he lacked.

One of the difficulties of

this book is that the most

compelling commercial

event starts to emerge as it

ends. The partnership

between David English and

Vere Harmsworth that

turned the Mail into the

dominant mid-market tab-

loid, crushing the Express

over 20 years, is founded in

the final chapters.

What saves this account

from being a sad chronicle

of failure are partly the

exploits of the Mail's corre-

spondents, as recalled in lov-

ing oral history from the bar

of The Harrow, its former

Fleet Street pub. "Christ, I

love this business,"

exclaimed English as he read

his latest scoop in print, and

it is easy for the reader to

understand why Vere told

a colleague on the eve of the

Mail's great experiment in

crossing swords over porcel-

ain

and the Mail's

succession of editors.

Indeed, while sexual inter-

course may have begun in

1963 for most of the nation,

it was in full swing at Asso-

ciated Newspapers several

decades earlier. "You have

made bruises on my arms

and shoulders. All this dam-

age will have to be paid for

some time," wrote Ian Flem-

ing to Rothermere's wife.

The damage to the Mail by

the time Rothermere handed

over had been considerable.

Yet he preserved the title,

seeing off a takeover threat

from Cecil King's Daily Mir-

ror, and placing one condi-

tional too many on the practi-

cally-agreed merger of

interests with the Express.

The rest is history.

John Gapper

ARTS

With any modern art continuing in what is perceived to be an ancient tradition, the easy assumption is that it must be decadent, and not all that interesting. Certainly my own expectations were channelled in that direction after talking to people who had visited the 20th-century section of *China: 5000 Years at the Guggenheim SoHo in New York.*

The prejudice could not have been more mistaken. As a succession of individual pieces, the ancient art might have the edge in terms of particular quality – which, with the treasure of five millennia to choose from, is hardly surprising; but it is the work of the 20th century, with its creative tensions, conflicts and new beginnings, that is in its way the more fascinating.

Its several sections follow the story of the century – from the decline and fall of the last imperial dynasty, the Qing, through the warlord turmoil of the 1920s, the emergence of the Chinese communist party in the 1930s and the war with Japan, to the People's Republic, Mao's Great Leap Forward and the Cultural Revolution, and the comparative but uncertain liberalisation of recent years.

The most intriguing section is that given to the socialist realisms of Communist China after 1950, with art the propagandising tool of the state. To our western sensibilities, this is work that is all to easy to deride, with those torchlight parades of happy hero-workers (Cai Liang 1959), or groups of cheerful tourists in Tiananmen Square (Sun Zhi 1964), and everywhere the smiling presence of Chairman Mao.

Yet behind the bland platitudes of propaganda, we find irony, paradox and contradiction. In those vast oil paintings, and even more in the large, extraordinary works on paper, realist principles of figure painting, supposedly based on western academic drawing, were applied. At that time in the west, this academic tradition was on the point of being discarded as old-fashioned, restrictive and irrelevant. But in China, it was taken as the acme of modernism, to counter the stultifying effects of China's own tradition and bring in the brave new world.

Such work ends up by being everything at once, and rather splendid into the bargain. The peasants sit enthralled by the village story-teller (Fang Zengxian), like Millais' young Raleigh. And the eight beautiful "Female Martyrs" (Wang Shenglie 1959) fight their bitter rear-guard action, firing at an unseen enemy before wading to their deaths, is an image quite as compelling as any epic Victorian narrative by Lady Butler. But, looked at for what it is, in the drawing and the paint, it is even



'Four Generations', 1982 by Liu Wend. Hanging scroll, ink and colour on paper

Survival of the Zen instinct

William Packer follows the progress of Chinese art in the 20th century

more astonishing, not just as a piece of description but for its economy and certainty. Seen dispassionately, it is a celebration of brush and line in the direct tradition of the old Zen masters of calligraphy.

The landscape painting of this period, in wash and line, is affected in just this way,

with the old Chinese manner prescribed officially yet instinct in every brushstroke. Barges work their way up the loomingly bank of

the Yellow River (Shi Lu), a near-abstract bird's-eye view and as delicate and beautiful an image as any 17th-century landscape scroll.

In the later 1970s, after the death of Mao, there comes an open return to formal freedom, and still it is the tension between the present and the past that is more interesting than the direct adoption of obvious western styles, photo-realism or socio-political commentary.

It is the calligraphic

abstraction-expressionism of Zhao Wuj (1972) that marries an innate Chinese sensibility to long experience of Europe, that is the more persuasive.

The neo-traditionalism of

the last two decades is the most interesting of all, for

what it says of the unavoidable, all-pervading quality of any true tradition, and the pointlessness of trying to escape it. Here, in Shi Lu's classic landscape scroll of Mount Hua, or the exquisite

drawings by plum-blossom of Shu Chuanxi (1855), in the huge hanging forest-and-mountain triptych by Xiao Haichuan, or the giant, heraldic calligraphy of Wang Dongling (1987), we find art set within tradition, yet entirely of its time.

With the work of the older traditionalists of the Shanghai School of the later 19th century, was where we came in. There is Xugu's village beneath the forest and the mountains.

drawn with such soft and deceptive simplicity – "An endless day in the Tranquil Mountains". Would that it were so.

China: 5000 Years – a century in crisis? Guggenheim Museum SoHo, New York until May 24. Sponsored by Lufthansa, Nokia, Ford, Coca-Cola. The Starr Foundation, the W.L.S. Spencer Foundation with support from the Kequel Group and Mrs May Lau.

Television/Christopher Dunkley

New angle on politics

Television has trouble dealing with politics, traditionally one of the main topics of journalism. Matters are manageable if the politics are foreign, part of history, or if the main interest is a political personality. But if the concern is the sort of politics traditionally dealt with by leader columns, then television has problems. Broadcasters are required by parliament not to behave like newspapers, but to be even handed. So programmes have to adopt a formula which will stay within the rules: a round-table discussion with all major parties represented (as in *The Midnight Hour*), or a stern one-to-one interrogation, balanced by similar interrogations of representatives of other parties (as in *On The Spot*).

You can imagine how

John Major must have felt when Martin Bell trounced Neil Hamilton, yet it is still a bit of a shock to hear Major's secretary talking about "the couple from hell". It is hard not to feel sympathy, even for a group as discredited as the Tories, when you hear about the search in the middle of the night for William Hague, as for some young captain after all the senior officers have been wiped out.

Channel 4, however, has gone quite a way towards conquering the difficulties, notably in the excellent series *A Week In Politics* which succeeded by being simultaneously knowledgeable and irreverent, a process hugely helped by the fact that the late Vincent Hanna was one of the presenters. His untimely death was a dreadful loss. However, his talented co-presenter Andrew Rawnsley can be found tomorrow presenting *Now We Are One: Blair's Year*, and today there is *Now We Are One: A Night To Remember*, followed by *Rory Bremner: From Blair To Here*.

Before any of that there is the first in a three-part series called *The Money Changers – The Struggle For The Euro* at 8.10 this evening on BBC2, a programme which adopts many of the practices of *The Death Of Yugoslavia* and *The 50 Years War* – blending archive footage with extensive interviews of those who were involved at the time and survived – which is scarcely surprising given that the same independent company, Brian Lapping Associates, has been responsible for all of them. The surprise is that producer/director Stephen Clark has managed to bring a real sense of excitement to such normally brain-deadening subjects as the Bundesbank, US gold reserves and the snake. Indeed, if this pro-

gramme did nothing else it would be worth its 50 minutes for providing a graphic and unforgettable illustration of how the snake came to get its name.

Today's *Night To Remember* is that rare thing, a genuinely bright and new idea in television. Made by Rob White and Dan Jordan for ITN, it takes apart the footage of election night, and edits it with all the advantages of hindsight. The result is an engrossing chronicle which contains not only the extraordinary highlights of that bizarre night (the late James Goldsmith, a lesser, shrieking like a barrow boy at David Mellor, another loser, in Putney; Michael Portillo trying to sustain a mysterious smile and failing) but also wonderful revelations.

These are all very well, but they tend to be rather arid set-piece events, lacking the very elements which can make politics so interesting.

Even pub discussions can be more lively and passionate than politics on television. Hearing William Hague trot out his standard biographical answers on the first of the *Kirsty Young Interviews* on Channel 5 last week was deeply underwhelming.

Channel 4, however, has already been wide reporting of what Tony Blair said to Neil Kinnock when, engrossed in cheering supporters, they clapped one another on the back as dawn broke over the Thames ("Okay wise guy, what do we do now?") but it was news to me, and oddly endearing.

This is a most fascinating programme about politics, though it is not what you would call a political programme. The second part tomorrow, *Blair's Year*, comes much closer to being political. Rawnsley reviews the events and policies which have created most stir during New Labour's first year in office, beginning with the death of Diana, Princess of Wales and Bernie Ecclestone's £1m donation, and moving on via Geoffrey Robinson's offshore trust, the millennium dome, Cool Britannia and hospital waiting lists, to Europe, lone parent benefits and the Irish peace talks. This being television, it would be more than his job is worth for Rawnsley to say what he really thinks, of course. Yet by getting those within the cabinet and the party to comment upon one another, producer Jane Bonham Carter and director Peter Minns have managed to create a highly political document. Let's hope it is the first of many.

Concert/David Murray

Youth and music

John Eliot Gardiner conducted the National Youth Orchestra at the London Barbican on Tuesday, and they made a brave sound. Except that "brave" isn't quite right: we all know that there is safety in numbers, and the NYO was the most numerous orchestra I have ever seen on that stage.

Apart from all the extra brass needed for Janáček's Sinfonietta, Gardiner enlisted unheard-of forces for *Das Lied von der Erde*: four harps, 10 or a dozen horns, *septuplet* woodwinds – with strings and brass to match. He used the full complement only in *tutus*, of course: but the result was to expand the scale of orchestral dynamics and density from a normal-size *ppp* whisper to monster-sized *ffff*.

His pragmatic purpose was evidently to have as many young players participate as possible. Not really a matter of "Buggin's turn": there are simply too many 16- to 18-year-olds who are too brilliantly proficient to ignore.

As always, one admired the astonishing security of the NYO's youthful brass in Janáček (older players may

envy them), the artful musicianship of their solo woodwinds, the uncanny maturity of the cellos – what is it about that instrument, that it should strike deep chords so early? – and was reminded yet again of the adage that "the English make excellent second violins". In Mahler, at least, the NYO's first sounded very well trained and rehearsed, and tame unassured.

Everybody shone in the Janáček, even if the final return of the opening fanfares missed the feeling of satisfying inevitability. It was characterful and consistently exciting, pressed urgently on by Gardiner, who doesn't go in for many meaningful hesitations.

Not did he in *Das Lied von der Erde*, though his basic tempo were orthodox enough. He may sometimes have taxied the breath of his soloists, the tenor Keith Lewis and the mezzo Anne Sofie von Otter, but he

was acutely sensitive to their expressive nuances. Did they know, when they agreed to sing, that their back-up group would be so gigantic?

In the event, they coped remarkably well. Lewis sang with lucid, impersonal musical insight, while von Otter grew from a rather too conscious inflection in *Herbst* to a nobly plain, eloquent "Abschied", straight from the heart.

Just occasionally, some vast orchestral surge swallowed one of them up – but even with the less overwhelming band that Mahler prescribed, it is a rare tenor who can make himself heard all through the "Trinklied", and almost any mezzo gets trampled in the youths-on-horseback episode of "Von der Schönheit".

Otherwise both singers here penetrated the hubbub with art; and the solo flute, oboe and cor anglais would have done credit to any grown-up orchestra. The NYO is a national treasure.

An Italian film of the late 1970s, *The Tree of Wooden Clogs*,

with its exquisitely muted colours, gently inexorable pace, and close-ups of faces both beautiful and weathered, did much to hasten the colonisation of Chiantishire. Britons discovered rural Italy, the lyrical passage of the seasons, the toll on the earth at one with nature. I remember one climactic sequence that showed the slaughter, hanging, bleeding, dissecting and curing of the family pig. The ravished Brits were and are still enthralled by pictureque peasantry – provided it is foreign. The same Chiantishire communitarians are those Guardian and Independent readers who, to a newish man, most sneered at the London countryside march.

Radio/Martin Hoyle

Food for the soul

and whose proximity with British nature comes no closer than buying organic vegetables in their local supermarket.

The paradox recurred over Easter when an unusually moving *Food Programme* (no, that is not a laxative joke) emphasised the community, fellowship and seasonal awareness of a farmhouse meal; how bread and wine, by extension food in general, is "symbolic of everything else". The company included those who killed and prepared their food like the Italian peasants

who spoke of a "food culture" which the urban chattering classes adore if it comes with a French accent. These were not weekenders. They had learnt the hard way. An ex-orchestral player had become a successful cheese-maker, a "hunter-gatherer" with a "spiritual touch" – admitted, tongue-in-cheek, to smoking meat over shavings from chopped-up church chairs. The programme exuded serenity, not smugness. Someone claimed to feel the imminence of God. Eating and drinking and religion all

fulfilled spiritual needs, they insisted. The programme made you believe it, and realise why the taking of food and drink are at the heart of many religions.

On Good Friday *Woman's Hour* had dealt ostensibly with food and religion. I can't remember anyone using the word "spiritual" at all. This was *WH* on bad old woman's mag form cheap, cheerful, chirpy. Domestic, familial, even medical. But spiritual, hardly.

The new Radio 4 schedules puzzle by containing so much of the old merely rejigged for the least convenience of the most listeners. No wonder the predominant word from the public in feedback (oddly moved to less prominent times; is the BBC afraid of something?) was "dull". What is alarming is the televisionisation of radio. The crassest example of the bodily moving from the visual into an aural medium is the antique quiz *Hidden Treasures*. If ever a subject depended for its point and pleasure on ogling the artefacts described – sometimes mysteriously uncategorisable articles whose description became part of the game – it is this; especially as I heard on at least two occasions clunk and muffled shrieks, as if a priceless *objet* had slipped from the nerveless fingers of Bunny or Lars (those are their real names). It is still remembered as the best director general the BBC never had...

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SPORT

Tennis

A game set to net even greater gains

John Barrett marks the tribulations and triumphs of 30 years of open tennis and assesses the future

Game, set and match to Davidson, 6-3 4-6 8-6," intoned the umpire as Britain's national coach, the cheery Australian left-hander Owen Davidson, jogged towards the net. Smiling, he shook the outstretched hand of John Clinton, one of the young men he had been training since taking up his appointment at the All England Club the previous October.

Thus was open tennis launched. For all of us who competed in the British Hard Court Championships of 1968 at the West Hants Club in Bournemouth, it was an unforgettable experience. We all felt that we were part of something bigger than ourselves... and Rod Laver's game was certainly bigger than mine in our second-round match.

Other former amateur champions such as Ken Rosewall, Pancho Gonzales, Roy Emerson, Fred Stolle and Andres Gimeno – for so long inhabitants of the twilight world of professional tennis – were back in the sunlight. The glare was too bright, however, for Gonzales and Emerson who were both blinded by the sparkling skills of the 24-year-old British No 1, Mark Cox.

Missing from the world's first open tournament were the "Handsome Eight", the players contracted to Lamar Hunt's World Championship Tennis organisation. It had been the appearance of WCT in 1967, following the announcement by the British LTA that they would back an open Wimbledon in 1968 even if it meant expulsion from the International Lawn Tennis Federation (the "Lawn" was not dropped until 1977), that had convinced the doubters that open tennis was unavoidable.

By signing John Newcombe, and Tony Roche of Australia, plus the Americans Butch Buchholz and Dennis Ralston as well as Cliff Drysdale of South Africa, Britain's Roger Taylor, Pierre Barthes of France and Nikki Pilic of Yugoslavia, WCT had skimmed the cream off the top of the amateur milk. A hastily summoned special general meeting of the International Lawn Tennis Federation, held in Paris in April 1968, had voted to introduce open tennis forthwith.

The final in Bournemouth, won by 33-year-old Rosewall in four sets against Laver, was a foretaste of what was to come in Paris. Yet none of us was prepared for the conditions we found in the French capital. France was in the grip of a national strike. There were piles of uncollected garbage on the city streets and both air and rail transport were in chaos. The only way to get to Paris was by road.

On the eve of the tournament I had arranged to meet a group of players who were due to arrive by coach from Beauvais. Without warning I found myself in the middle of a tear-gas attack as the police tried to control a huge crowd of rioting students. It was a terrifying experience. The coach never arrived. Nor

Paris '68 was a frightening metaphor for the troubled state of the game

season-long points race leading to The Masters, a play-off for the points leaders. The brainchild of former champion-turned-promoter, Jack Kramer, the Grand Prix's undisputed aim was to kill off WCT, which was demanding "corporation fees" for the appearance of its contracted players at traditional events.

War had been declared. In 1971, WCT hit back by launching a rival \$1m circuit which ended with a brilliant World Championship of Tennis final (the title always irritated the ILTF), staged in Dallas. It was a masterpiece of presentation. Elements of showbiz were combined with sport as Charlene Heston and Jack Jones rubbed shoulders with referee Tony Trabert and many other celebrities. The 8,200 fans who packed the municipal auditorium, and the millions who sat in front of their TV sets at home to see Rosewall beating Laver in four spectacular sets, all felt that they had had their money's worth. As Rosewall received his trophy from the astronaut Neil Armstrong, we were all conscious that this was a giant leap for professional tennis.

The ILTF's response was to ban all contract professionals from official events in 1972. As Alan Heyman, president of the ILTF at the time, said: "...the national associations have spent vast sums on developing young tennis players over the years and are now being asked for even larger sums for the privilege of having those same players compete in open tournaments."

In this climate of antagonism it was inevitable that the players would see the need to organise. The appearance in 1972 of the British High Court that would have allowed Pilic to play



Association of Tennis Professionals was no surprise. One year later, the women, led by Billie Jean King, followed with a Women's International Tennis Association, the forerunner of the WTA.

Already in 1970 the women had taken their first tentative steps towards an independent circuit. Insulted by the derisory level of women's prize-money being offered by Kramer at his Los Angeles tournament, nine leading women signed token \$1 contracts with Gladys Heldman, the publisher of World Tennis magazine, to launch the Virginia Slims tour. It was the most significant sponsorship in women's sports.

Twenty six years later, when Virginia Slims ended its support, they could look back on the great rivalries built by their circuit – Court versus King, King v Evert, Evert against Navratilova, Navratilova v Graf, Graf versus Seles – and justly claim: "You've come a long way, baby."

The commitment of the men to their fledgling association was tested dramatically in 1973 when Nikki Pilic was suspended by the Yugoslav federation for allegedly missing a Davis Cup tie. Pending the outcome of an injunction in the British High Court that would have allowed Pilic to play

at Wimbledon, the ATP, led now by Kramer, advised the ILTF that its members were prepared to boycott the game's most prestigious tournament.

The injunction failed and, to everyone's astonishment, 79 men walked out. The balance of power was changed irrevocably. Never again would the players be subject to the control of their national associations. The final declaration of independence came in 1980. During a dramatic

involvement in men's professional tennis outside the Grand Slams and the Davis Cup.

In the years that followed, the professional game grew vigorously. Commercial organisations saw the attraction of associating their companies with an exciting sport that had a bright, clean image, was played by men and women throughout the developed world, and was attracting increasing interest from the leading television networks.

As the management companies signed up the main top players and negotiated ever bigger clothing, shoe and racket contracts, they began to see the sense in buying existing tournaments and creating new ones. Typical of the latter was the Pepsi Grand Slam Challenge, a four-man special event played in Florida during the mid-1970s. Launched by Donald Dell of ProServ, it enjoyed a short period of success until the sponsor's objectives changed.

While tournament tennis flourished, the Davis Cup was languishing. Something drastic was required. In 1972, the challenge cup was abolished and one year later the ILTF at last allowed contract players to compete.

Today the ITF's two flagships go from strength to strength. The Davis Cup has grown from 74 nations in 1965 to 131 this year. In percentage terms, the comparable figures for the Fed Cup are even more impressive – up from 36 ten years ago to 89 today.

Meanwhile, the cornerstones of the sport, the four Grand Slam championships, have become

allowed Laver and Newcombe to remind the rest of the world what they had been missing.

By 1981 numbers had grown so rapidly the top 16 nations had to be placed in a non-zonal competition – the forerunner of today's World Group – and to find a sponsor to fund the annual prize-money of \$1m. The Japanese industrial giant NEC took on that role and has continued since.

Between 1981 and 1994 NEC also supported the Federation Cup (for women players), which was then played in one week of the year at an approved venue. Growing numbers suggested a change was necessary. In 1995 the competition, renamed the Fed Cup and with new sponsors in KB, the Czech banking group, adopted the Davis Cup pattern with eight nations in a World Group and a system of promotion and relegation for the rest.

Today the ITF's two flagships go from strength to strength. The Davis Cup has grown from 74 nations in 1965 to 131 this year. In percentage terms, the comparable figures for the Fed Cup are even more impressive – up from 36 ten years ago to 89 today.

If only tennis had had the good sense to retain wooden rackets – as cricket and baseball did with bats – the character of the game would have been preserved and skill would have been rewarded. Now, I am afraid, it is too late. The stable door is flapping and the horse is out of sight.

led Dalton. "His campaign cost around \$3.5m and all the crew got a \$3,000 win-bonus at the finish which was a serious amount of money for a young kid straight from Auckland."

He has no particular nostalgia for those days, accepting the changes that big money and sponsorship have brought. He makes a comfortable, if precarious, living from putting together these campaigns in a highly organised way that keeps the big corporations coming back.

"I treat it entirely as a business. The race is a day at the office and it is true that the wonderment has gone," he said pragmatically. "The sponsors expect total performance and they're entitled to, for the money they're putting in."

"You don't think about the lovely starlit nights or the sunbeams dancing off the waves. You don't give a damn," said Dalton. "You're more interested in the speed and where the other boats are. There's no more being at one with nature."



TRY for the millennium

By **ANTONY THORNDIKE**

Sailing into a sudden storm

Competitors have questioned the legitimacy of a new 'wonder sail'. **Keith Wheatley** reports

Formula One has been marred in the early weeks of the season by worries that McLaren Grand Prix racing team's new technology is removing serious competition from the championship. At sea, in the Whitbread Round the World Race, a similar row has been simmering about the huge gains provided by a radical new sail of debatable legitimacy.

Much of the controversy has been brushed under the carpet, but it will come as no surprise to those who have followed the plain speaking on the subject. It has come from Grant Dalton, the five-time competitor who has raced more sea miles in the world's greatest offshore competition than any other yachtsman.

One of Dalton's great charms is his honesty. Other skippers try to pose and obfuscate, trimming to whims of sponsorship or diplomacy, but "Dalt" always gives a genuine view although without the boorishness which can some-

"The sail is wrong," Dalton said in characteristically blunt comments. "It should not be allowed in this race. It's against the spirit of the design rule and it has influenced the results so far."

Other skippers (including himself) failed to develop it because, Dalton argues, it was inherent in the way the rule was written that a tight-luff upwind spinnaker was not allowed. "It doesn't say anywhere that you can't use jet propulsion on the boats but obviously you can't," he said.

The sails are basically spinakers that can be flown almost as conventional headails, giving the relatively small Whitbread 60s enormous extra pace upwind. Unfortunately for dockside peace, Dalton believes them to be a "rule-buster" which race officials have chosen to overlook.

Whitbread Race Office ruled the sail to be legal. "It's history," Dalton says that having chosen the skinnier of two boats he had available, he and his crew "are wringing speed out of the boat as hard as we can. We have to improve basically, although I'm not sure what areas we can improve. When the dice rolls," he said, "it might roll our way."

This sanguine attitude is all the more creditable, since Marl Cup has gone from being pre-race favourites to a boat that is having to fight for a place on the podium.

While Dalton has gone with the tide and built the new sails he disapproves of, in the months immediately before the race he chose a narrower hull form and lighter mast than would be ideal

for the Code Zero. He says that the hardest race so far, Dalton said. "You hear it every time and after five Whitbreads, it's still true. Now if you're leading and you make a mistake, you get passed by six boats. It used to be the case that only a couple could catch you."

Grant Dalton has a better perspective on the Whitbread Race than almost any other sailor. Twenty years ago Merit Cup's skipper was a young Kiwi gofer on the Dutch yacht, Flyer, captained with great intensity by millionaire amateur Constance von Rietschoten.

"It's definitely true that he brought professionalism into sailing for the first time," recalled

ever more dominant. The French and Australian Opens, once the poor relations, have worked hard to elevate their status. Today they stand as equals alongside Wimbledon and the US Open. All four have shown a commendable faith in the future by investing heavily in building programmes. Between them they have committed some \$550m in the past five years to new facilities. The public has responded. Last year ground records were broken at all four sites, with more than 1.7m spectators going through the turnstiles.

Thanks largely to increased income from television, revenues have also increased dramatically – to the direct benefit of the game in Britain where Wimbledon's entire surplus (£20m last year) goes to the LTA.

The players have done well, too. In 1968, Laver took home £2,000 as the Wimbledon champion while Billie Jean King collected only £750. Last year Pete Sampras' prize was £415,000 and Martina Hingis won £275,500. Although the women have gradually closed the prize-money gap, the US Open is still the only one offer equal pay. Worldwide, though, both groups have prospered. This year, the men will play for \$63.5m in prize-money and the women will share \$40m.

What does the future hold?

The game was harmed by a failure to regulate racket technology

Conscious of the need to make its package more marketable to television and more easily understood by the public, the ATP Tour has proposed a new formula for 2000 and beyond. Seven 10-day super-events, five including women, would sit alongside the four Grand Slams as the heart of a new competition which would be the basis of deciding each year's world No 1. Like motor racing's Grand Prix, all players would start in January with a blank sheet and accumulate points leading to a Masters event for the top eight in November. This would certainly be a more marketable product than the present unwieldy ATP Tour with its 77 events in three categories.

But will the women accept these plans? With four ITF members on the WTA Tour Board, the women are still allied with the establishment. They have a new chief executive in US lawyer Bart McGuire, who senses the chance to capitalise on the exciting young teenagers suddenly emerging – such as world champion Martina Hingis of Switzerland, the American sisters Venus and Serena Williams, Anna Kournikova of Russia and Mirjana Lucic of Croatia.

The women believe too close an association with the men might dilute their own product. Yet a strong independent women's tour requires a new global sponsor to replace Corel, whose association with the sport ends this year. With an asking price of \$25m for a five-year package, such a company will not be easy to find.

At many levels tennis has made impressive strides in 30 years. At the professional level a minor sport has become a multi-million dollar industry. Thanks to ITF initiatives more people in more countries are playing the game than ever before, junior programmes multiply, veterans' tennis is bursting at the seams and there is even a vast new competitive structure for wheelchair players.

Yet the tournament game has suffered as a spectacle because the ITF failed to regulate racket technology in the 1970s. Power has swamped skill to such a degree that all men's matches – and even some women's – have become one-dimensional slugfest contests.

If only tennis had had the good sense to retain wooden rackets – as cricket and baseball did with bats – the character of the game would have been preserved and skill would have been rewarded. Now, I am afraid, it is too late. The stable door is flapping and the horse is out of sight.

How to Spend It

Fashion

High-tech sparks Italy's latest Renaissance

Latex, celluloid, photo-printing. They're all at the (computer) cutting edge of an innovative collaboration, writes Avril Groom

Until the past year or so, little had changed in Italian attitudes to fashion for half a millennium. The rich fabrics and elaborate decoration of Renaissance portraits were made by the forerunners of northern Italy's famous silk manufacturers and artisan embroiderers. The natural vanity of a nation which invented the most flaunting item of apparel, the codpiece or *bretella*, is apparent in today's designer-clad crowds enjoying the evening *passeggiata* in any Italian town.

At the cutting edge of Italian fashion there has been a sea-change - the clothes arriving in the shops for summer, and even more obviously in those recently shown for autumn, reveal the results of an innovative collaboration between designers and fabric manufacturers. On to the heritage of decorative handwork are grafted the newest developments in fabric technology, which produces a mélange of new tech and old craft quite unlike commercial Milan tailoring but which somehow manages still to be uniquely Italian.

Embroidery and beading are now interpreted in unfamiliar materials, including celluloid, silicone and mohair, or worked in abstract shapes rather than in the traditional floral motifs. Artisan hand-painting appears on reflective stretch fabric, while handmade couture finishes are combined with the latest in techno-stretch felted wool. Luxury cashmere or pashmina is metallised or layered with shimmering net in technico polyamide (nylon to those who prefer to call a spade a spade), while lasers give a more precise edge to cut-outs than the surest-handed tailor could manage.

It all gives decorative details a modern twist that no other country has so far picked up on.

The catalyst for both manufacturers and designers, in their own ways, has been East Asia. Concentrating on top-quality natural yarns such as cashmere, silk and linen meant Italian manufacturers were losing ground in innovation to Japan, where fabrics are researched in the chemistry laboratory. The sheer, textured and stretch results have fired the imagination of the wider world and left the \$50bn Italian fashion trade no alternative but to catch up.

For Italian textile companies, which benefited from huge investment in the 1970s while those in other countries dithered, buying high-tech plant has been less of a problem, and local designers' demands have provided the stimulus for exciting new products.

Those designers have heard the alarm bells rung by the economic stresses in Asia, where label-hungry consumers account for up to half the sales of some. To keep afloat in a shrinking market, they need to jolt the customer into desiring something a little different from a new, softly tailored beige suit.

Innovative Italian designers such as Miuccia Prada, and those based in Italy but with wider experience - such as Tom Ford at Gucci, Jil Sander and Narciso Rodriguez - were already playing with minimal shapes in luxurious but technologically advanced fabrics. Working with the fabric mills to push this concept one stage further, while allowing scope for the Italian love of ornament in updated techno-deco form, has resulted in the new Milan look.

At first sight it is disconcertingly unfamiliar. At the autumn shows buyers had doubts about its commercial appeal, wondering if, in their eagerness to seduce a less free-spending clientele, the designers had gone too far.



Zipper jacket in high-tech, canvas-weave cotton, £730; vintage-style denim skirt, £280, by Jil Sander from Browns, South Molton Street, W1, Harrods, SW1, Fenwick, Manchester, and Polygamma, Barnsley



Couture in heavy silk twill with computer-enhanced photo-print and magnet fasteners, £1,250, from Prada, Sloane Street, SW1

to replace buttons, a trellis of pressed creases in place of checks, glistening patches of heat-treated silicone or strips of photographic celluloid instead of beading, turning the medium of fashion's dissemination into something to wear.

It will help that the leap forward in fabric technology does not necessarily mean higher prices - in some cases, the reverse, as handicraft is replaced by machine.

It comes as a shock to find Donatella Versace discussing economy measures when her company was for so long the epitome of gaudy consumption. Italy's second largest designer empire now has 10 variously priced labels, and she is well aware that even the prestige main line has market-imposed limits.

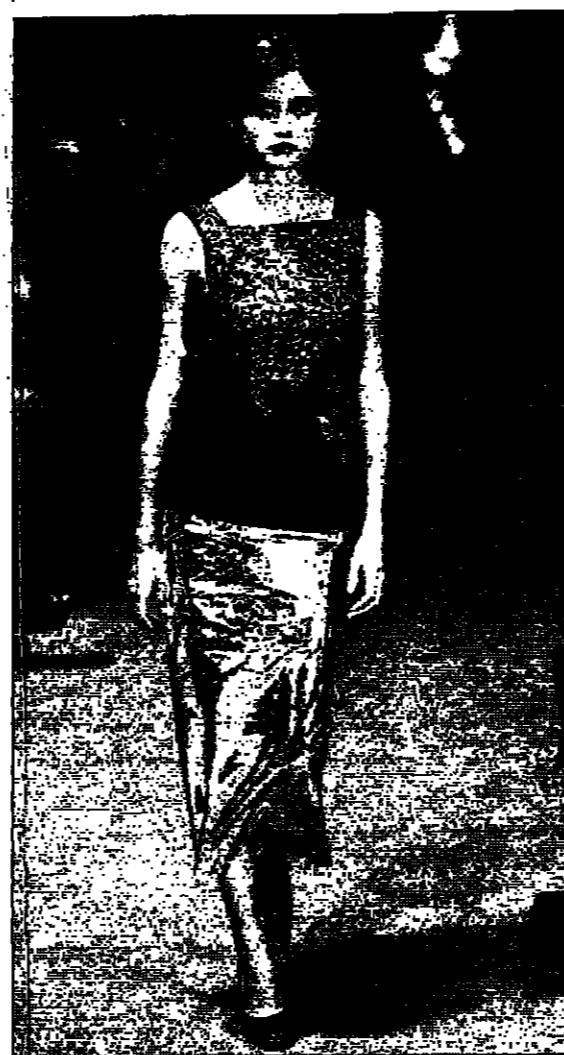
Gianni Versace was a great fabric innovator and his sister brings the same approach to decoration. "This could have been done by hand," she says, indicating a starfall of tiny diamante beading on a night-black net evening gown, "but heat-stamping gives a softer, more modern look and is much less expensive".

For spring, she laser-cuts a shredded, frayed trim and uses it for precision slashes. For autumn, there is a computer-enhanced photo-print of a giant, faceted diamond poking fun at her own gilty reputation - on luxurious silk satin. She has repositioned the secondary Istante line to be 20 per cent cheaper than hitherto, with a winning combination of techno-fabrics and traditional decoration such as hand-made appliquéd silk flowers.

New machines, costing £50,000 apiece, can replicate hand work so skilfully that it is hard to see the difference - except when it comes to the price, which is much more moderate.

Moschino mixes techno and tradition. For summer, it uses new stitching techniques to add heavy silk fringing smoothly to stretch georgette. For autumn, it puts hand-loop top-stitching on stretch felted wool side by side with a trim of fine roulleaux. Still hand-made, and a modern version of vintage hammered satin.

Despite technology, reverence for the traditions of



Winter blossom hand-painted on a silk satin top and mirrored plastic skirt, by Dolce & Gabbana for autumn 1998



Stretch plastic dress, lined in silk and heat-printed with Renaissance brocade pattern, by Dolce & Gabbana for this autumn



Latex corset with decorative stitching, £295, stretch silk and cotton skirt with geometric beading, from a selection, from Prada

because we had to be sure the painting was durable". Plastic is notoriously uncomfortable to wear so the fabrics have been bonded with silk satin, and often have a built-in corset. The result is as fine a work of handcraft as any beaded gown, and the dearest will top £10,000.

Like most designers, Dolce & Gabbana are wary of revealing the names of their fabric collaborators, let others muscle in on their carefully researched technology. Their choice is huge - more

riches from, among others, Loro Piana, one of Italy's top cashmere producers. "It's a very traditional firm but I wanted to use that quality in a modern way," she says.

The results of this collaboration are highly desirable: very light, slightly folkloric materials, such as a fine felted cashmere mix which bears as much resemblance to felt as cashmere does to coconut matting. Mohair is spun into gauze, fur-edged or beaded with frosted silver, or embroidered on soft tweed.

"We invent combinations of natural and high-tech yarns," she says. "I love fabrics developed for modern softness but which look old." For summer, this includes handspun-looking silk and linen mixes that are butter-smooth to the touch, some embroidered in raffia. The lightness, she emphasizes, is the main quality of the new natural-synthetic mixes.

Jil Sander, who designs in Hamburg but shows and manufactures in Italy, loves "luxurious lightness" and has achieved it for summer in fluttery silks with knits spun from rayon and silk; for winter, in more technical mixes already developed for her menswear. Organza, cotton and cashmere have a technical padding as airy as candyfloss, while alpaca has a plastic glaze.

Not given to ornamentation, she uses instead fragile weaves with a geometric tracery that lets a contrast lining show through. It is as modernist as Prada's collection and, like Prada's, is decorative without being showy. Both confirm that Italian collections are adjusting quickly towards a cocooned, defensive millennial mood.

These are clothes you feel

rather than see, the expression of private luxury.

She is a designer, the same name, the first time I met her, a flowing blonde, wearing a pencil skirt and green blouse.

There was nothing wrong with the way she looked, the tailored shoulders, the floral silk skirt fastened on her right shoulder, or a longline pencil skirt. But the pair of legs, too defining a second time was another reason for a woman whose balloon skirt, a tribute once boasting 1,200 downy feathers, prompting at US stores, to remark: "I compared to lockdown, Mata Hari.

Fashion has been an unpredictable companion of Linda Evangelista. From her many incarnations, as a pinup beauty queen, the Rose of Trafalgar, to an international icon and wife of a rich doctor.

Today, after a lengthy search for a man and Michel, high-profile boyfriend, in her apartment in Manhattan, the former supermodel has given birth to a daughter, Lucia.

She is due to give birth again in October. After all, "you're not going to write top," she says. "That's a bit more.

But Matera, I mean, taking her is not difficult, she does good for fashion. Looking

at respect, she exudes. As a young girl in the 1980s, Linda, the modern princess of herself, among local girls,

for growing, visiting VIPs, up and down the clothes, to have fun, they would go to the beach, and organize

with unclad human bodies. They just didn't

people have no respect for

the body, the body, the body,

How to Spend It



Propane gas portable patio heater (far left), £299, and aluminium fisherman's all-weather light, £29.95, both from The Traditional Garden Supply Company. Teak steamer chair (left), from La Maison Scotts. The little girl is wearing a brushed cotton shirt, £35, and Namibia hat, £24.50, from Le Prince Jardinier. Hand-made teak chaise-longue (above) £450, from Port of Call. Easy-to-put-up dining canopy - 10ft by 10ft by 7.5ft - in white and green (top), £74.95, from The Traditional Garden Supply Company

Mail order route to a rustic idyll

Lucia van der Post leafs through some status-raising garden catalogues

Gardening, as Karl Marx failed to observe, is the new opiate of the people. It may once have been a charming, stress-free hobby, something to keep the retired set out of trouble in their twilight years, but these days it is as ambitious an arena for establishing status as any designer handbag.

Just watch the scorn reserved for those who have an unfortunate penchant for pom-pom chrysanthemums, whose plant tags... dear me... plastic instead of copper, whose swimming pool is a prominent feature instead of being screened by hedges, who hasn't heard, as Lord Charteris might have said, that it is "vulgar, vulgar, vulgar" to have floral nylon covers on plastic furniture.

Gardening books almost rival cookery ones for their soft porn, drool appeal so that even those who scarcely do serious battle with a trowel become quite worked up over the prospect of horticultural pleasure ahead.

Who, for instance, a few years back would have guessed that *Gardens Illustrated* would ever become a cult magazine, sought after by those who scarcely own a patio let alone a lawn?

Given the undoubted increasing sophistication of the gardening classes it is odd that on the mail order front there has been so little on offer apart from the seed catalogues and Busy Lizzies by the ton. Such an enticing gap in the market was obviously asking to be filled and recently there has been a small flurry of ambitious entrepreneurs rushing to do just that.

George Cooper was one of the first to see that there was room for somebody to sell the sort of things that strictly horticultural companies hadn't thought of. To this end, he launched The English Garden Collection. He wanted to do for the British garden what retailers such as Habitat or Jerry's Home Stores had done for the British home - that is, treat it as a source of

year-round pleasure and lavish it with tasteful accessories, all of which he would obligingly sell.

So those with patios or proper gardens could sit on a proper teak chair, or drink their chardonnay out of some sturdy Spanish glass while sprawling on a steamer chair. At night, they could light their patio with Cooper light (his own design), and if the sun really does come out there are chic and tasteful canvas umbrellas to provide cover. For the serious gardener there are tools - hoes, rakes, spades and secateurs, that sort of thing - but it is with accessories that he really hopes to amass a new breed of shopper, somebody who is tantalised by the notion of the garden as an extra room and will spend a great deal trying to make it "just so".

Nigel Swaby, the man who founded the innovations catalogue and then sold it before buying Scots of Stow, a mail order operation selling traditional kitchen wares to "older, tradi-

tional customers", has recently decided to expand his mail order empire. With La Maison Scotts (available from April 17) he hopes to reach younger buyers

with a range of (very slightly) cooler, hipper products for the other rooms of the house. But by buying (and then expanding) The Traditional Garden Supply Company, he is aiming at the growing band of knowing and sophisticated garden-lovers.

Pam Bath, who runs the catalogue operation for him, says they believe there is a huge market for the things that are available in little individual shops all over the country but can only be tracked down by people with time on their hands. "We're there for those, like myself, who never seem to get a minute to go shopping. I'd love to browse around The Conran Shop and IKEA, track down the little boutiques in the King's Road and the Fulham Road but I don't get time

so I'd browse through something like one of our catalogues instead."

The new, expanded Traditional Garden Supply Company catalogue (available from May 2) will specifically home in on things for the outdoors - whether small urban patio or grand country garden. Along with brightly-coloured French Jolie gardening boots and all manner of practical compost bins and garden sheds it also veers off into less essential, more decorative areas.

Very niche market indeed is the impeccably plain teak garden furniture (and by now we don't need telling that when it comes to furnishing the garden only round, wrought-iron or antique will do) designed by Mimmo O'Connell, whose Walton Street shop, Port of Call, is a fine source of quality furniture and accessories from China, Vietnam and other eastern countries. She has produced some classic pieces - chairs, chaise-longues and tables - that would look admirably at home in English gardens.

A new company to me is Le Prince Jardinier, a wonderfully nostalgic evocation of tools and props from the days when hired hands did the real work while *la châtelaine* busied herself with the dead-heading of roses and inspections of the herbaceous borders.

Now that *châtelaines* have to do more of the real work themselves, Prince Louis Albert de Broglie, from the enchanting grounds of his Château de la Bourdaisière, has started recreating artisan-made gardening tools and accessories from another age. Apart from the classic tools - the grafting knife and universal dibble of wood, brass and stainless steel - there is also a range of splendid thick cotton clothing so authentic that everybody can play at being a 19th century French gardener.

Great cotton smocks with wood buttons are modelled on the ones that French gardeners used to wear. Waistcoats come in jute or felt. And, to complete the

air of taking part in a pastoral idyll, everything comes packed in jute bags. Just as buying the cookery book makes one feel a little nearer to Marco Pierre White, so buying these tools will somehow make one feel a more refined, grander sort of gardener.

For a catalogue, either telephone or fax the numbers given below but, for those wanting to see the merchandise, Nina Campbell, 9 Walton Street, London SW3, always has a selection, as does Harrods of Knightsbridge, London SW1, and Jenny Blanc Designs, 59 High Street, Teddington, Middlesex TW11 8AZ.

■ *The English Garden Collection*, Cowley Bridge Road, Exeter, EX4 5HQ. Tel: 0870 600 304.

■ *Scots of Stow*. Tel: 0990 449111. La Maison Scotts. Tel: 0870 600444.

■ *The Traditional Garden Supply Company*. Tel: 0870 600 3366.

■ *Port of Call*, 13 Walton Street, London SW3. Tel: 0171 583 4336.

■ *Le Prince Jardinier*, Château de la Bourdaisière, 37270 Montlouis-sur-Loire. Tel: (33) 02 47 50 83 32. Fax: (33) 02 47 45 63 32.

Harvey Nichols in London has approached her to lend her face - or her feet - to launch its new shoe section. The marketing slogan? "There's always space in your wardrobe for a new pair of shoes."

Naim Attallah

In the article "And the brand plays on", published in How to Spend It magazine on April 4, it was said that the resignation of the former chief executive of the Asprey group, Naim Attallah, followed that company's 1995 results. Mr Attallah in fact announced in May 1995 that he planned to retire in December that year when he was 66. We are glad to make it clear that his departure was not connected with the group's performance and apologise to Mr Attallah for any contrary impression given by the article.

Fine feathered bird of Philippines

Justin Marozzi takes a peak inside the idiosyncratic wardrobe of Imelda Marcos



Imelda Marcos: 'The best design is as close to nature as can be... I was moulded in nature'

She was wearing the same suit as the last time I saw her, a flowing tunic jacket over a pencil skirt in lime green. There was nothing wrong with the sweetheart neckline, the tailored shoulders, the floral silk scarf fastened on her right shoulder, or a hemline revealing a gauze-like pair of legs, but donning it a second time was rather remiss for a woman whose ballroom-sized wardrobe once boasted 1,200 gowns, prompting a US congressman to remark: "Compared to Imelda, Marie Antoinette was a bag lady."

Fashion has been an inseparable companion of Imelda Romualdez Marcos throughout her many incarnations, from the humble beginnings as a provincial beauty queen (*The Rose of Tacloban*) to the heady couple of decades as an international icon and wife of a rich dictator.

Today, sitting regally beneath Pisarro and Michelangelo reproductions in her high-kitsch-to-Gauguin apartment in Manila, the former first lady expresses surprise that the Financial Times is here to talk fashion and not politics. After all, she is running for president. "You're not going to write about the shoes again, are you?" she sniffs. "That's a bore."

But Marcos loves talking and it is not difficult to steer her on to fashion. Looking good began simply as a mark of respect, she explains. As a bewitchingly beautiful young girl in the impoverished western province of Leyte, she frequently found herself among local dignitaries greeting visiting VIPs. "For days before, I would fix up and iron my clothes, shine my shoes and arrange my hair. Then they would arrive with uncombed hair, tattered dresses and unpolished shoes. They just didn't care. We thought: 'These people have no respect for

us'. I told myself, if God blesses me with being a VIP, you can be sure I'll dress up for the poor who need a symbol and a given standard to look up to."

Once in Malacanang Palace,

the presidential home, with her husband Ferdinand, she wasted little time in doing just that, plunging giddily into the world of haute couture, and travelling the globe in sumptuous creations by Christian Dior, Valentino and Balenciaga.

Shoes, and there were many, came from Bally and Ferragamo while handbags from Gucci, Chanel and Louis Vuitton were favourites.

She was a bird of exquisite plumage. Even the famously elegant Queen Sirikit of Thailand was bowled over by her magnificence. "You are like a Greek goddess," she simpered. But the look Marcos was best known for was the classic *terno* or ballgown, intricately worked, sometimes flowing, sometimes tightly fitted, always with butterfly sleeves rising dramatically off the shoulders, part *Star Trek*, part flamenco dancer. This she wore out of a sense of patriotic duty.

"We Filipinos had an identity crisis from our colonial past of more than 400 years.

We didn't know whether we were Spanish, Americans,

Japanese or English. I loved

to wear the *terno* because it

gave the Philippines and me

identity. You can dress up in

western clothes and look

presentable, all well and

good, but who are you?"

But what is the essence of the Imelda Marcos look? Is there a particular trill or flourish that informs her approach to fashion? Perhaps it is unwise to ask such questions. For a woman like

Marcos, one of the world's most intensely idiosyncratic creatures, fashion could never be merely a matter of hemlines, fabrics and butterfly sleeves. That would be far too banal.

Who could doubt that it

was a metaphysical phenom-

enon all along? "Fashion is

the manifestation of the

godly, the beautiful and the true in my spirit," she purrs. "In general, people see beauty as frivolity, but in the ideological sense beauty is discipline, harmony and art. God and love are made more real in what is beautiful. I am simply allergic to ugliness."

There is nothing meta-

physical about the slimy pair of electric yellow shoes with transparent plastic heels, a bold juxtaposition to the lime green ensemble. I venture a compliment on their retro-chic. She says she does not know which designer created them - a forgetfulness excusable in a woman who once had so

drilled.

It is the accessories that

reveal the heart of her ap-

proach to fashion. She is, above all, eclectic. Today, they range from a heart-shaped gold ring inset with a diamond of vast dimensions to a rhinestone dachshund brooch. She is equally *dans* and Duck brooch as she is flashing the gold mesh bracelet that once belonged to Napoleon's empress, Josephine, given to her by Ferdinand. As if to prove the point, she is wearing 37 espadrilles.

"Have you ever seen a tree

that has no harmony, no dis-

cipline, no art?"

A disciplined looking acacia tree forms the backdrop two days later for Marcos's presidential campaign visit to her mother's home town of Balanga, 40km north of Manila. On stage, in front of a mesmerised crowd of several thousand supporters, she is a looming 5ft 8in (Amazonian for a Filipina) vision of blanch-mange pink in a suit she herself designed based on a 1980 Valentino creation.

Unless she is elected presi-

dent on May 11, the days in

Malacanang Palace will

remain a memory. But the

commitment to giving the

poor (Marcos calls them her

"little people") something to

mean as little to her as it

does to me.

"Clothes should be a coun-

terpoint that will enhance

your personality," she

enthuses. "The best design is

as close to nature as can be.

You see, I was moulded in

nature. I came from the par-

adisiac island of Leyte facing

the Pacific Ocean, where

your vision was infinity. If

you come from that sort of

environment, it is easy to be

in harmony with yourself

and nature."

"I am a phoenix

emerging from the ashes of

persecution, more beautiful,

more godly and more en-

lightened," she declares.

Her followers are not less

enthusiastic in their sartorial response.

One loyal group of devotees sports white T-shirts featuring a portrait of the great lady at her most alluring. "I need you. I need your love and care," reads the legend.

At 66, Marcos is still a stri-

king and callipygous

woman. And she is still in

demand as an icon. She says

Kilgour French Stanbury

Hand-made clothing

Special make bespoke suits

£850

Spring Summer ready to wear suits

£750

Bespoke shirts Hand-made ties

£110 from £50

Bespoke tailors

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OUTDOORS

Gardening

A fragrant stalwart of spring

Our knowledge of daphne has come a long way in 60 years.
Robin Lane Fox looks at the progress of this handsome family

Gardening often seems a matter of slow progress. At the level of the micro-climate, the recent Easter allowed almost no progress at all. The wind was cold, the rain heavy and many of us encountered the surprising sight of spring-flowering viburnums covered in temporary snow.

At the level of macro-planning, gardening is often thought to be even slower. Almost every new style of planting can be traced to an earlier history. There is no coherent style for the coming millennium, except for the old ones which, in my view, is a mercy, not a mark of stagnation. The real change occurs where the impatient and the grand designers often miss it: at the level of plants, not features or fashions.

Over Easter, many daphnes have been extremely good. The earlier ones have lingered on in recent cold weather and the later have flowered early after the mild winter. What was the general view 60 years ago? I wondered, of this handsome family which suggests so

many of the small twists and turns, the basic embroidery of a personal garden?

I have been looking back at the views of the great columnists of the 1930s, none more expert than the late Clarence Elliott who wrote for the Times and whose book, *Rock Garden Plants*, is well worth revisiting.

But, writing in the 1930s, his judgements on daphnes surprised me. He has nothing to say about my favourite, Daphne napolitana, which is obliging, evergreen, about 18in in height and width and very free with its scented dusky pink flowers.

Elliott still believes the admirable Daphne odora is only safe in a greenhouse.

Sixty years later, we grow the golden-leaved form all over the place and it is one of the basic notes in the symphony of any well-considered planting. This year, it has been magnificent in the benign early spring and, of course, it does not need a greenhouse or even a south wall in order to be at its best. I even toy with the idea of planting it in big groups, easily raised from cuttings, which would serve as a spec-

tacularly irresponsible sort of ground cover.

In the 1930s, my other evergreen mainstay, Daphne retusa, was still a recent arrival from China. Its merits were just being recognised, but nowadays it is one of the best very small evergreen shrubs for punctuating a lower planting of alpines or carpeting plants on a wall. It grows extremely slowly to an eventual height between 1ft and 2ft and is easy to grow in open, sunny soil. The lilac-pink flowers are deliciously scented and have already started to open a month early. Later, in September, we will probably have a second crop.

The most brilliant flat-growing daphne is the well-known Cneorum, which was also provoking comment in the 1930s. Sometimes, it is unobliging, but it is now known to tolerate lime and the dark red Eximia variety is widely available and usually vigorous. It is worth noting that the great Clarence Elliott recommends planting a young Cneorum rather deeply so the stems are buried almost up to the lowest leaves. He also advises that plants grown in

peat will not transfer so readily to a different soil.

Daphnes are famous for resenting disturbance at the roots, but he is quite clear that we should all wash away the peat from a young daphne's roots before planting it in a soil which is different. These two bits of advice have become lost nowadays, and may well help us to persuade this wonderful plant to make a happy transition to our gardens.

So much has been written about old-fashioned gardens, vanishing garden plants and a general sense of loss in British gardening, that it is wonderful to read Elliott on the less common daphnes and realise that after a world war, several slumps and huge interference with the countryside, we are actually growing and selling more daphnes than he knew and are able to buy varieties which he describes as confined to only one expert gardener.

He was of the generation

which

freely

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plants

from

European

mountains

and

brought

them

back

to

live

or

die

in

British

gardens.

This excavation was one of the only sources of the lovely Daphne petraea which is confined in nature to limestone cliffs above Lake Garda in northern Italy. Subtle variations like Petraea grandiflora, or a very rare white, were simply unavailable in the trade.

Nowadays, they can be bought from a few experts, especially the commercial centre of rare daphnes, Blackthorn Nursery, Kilneston, Alresford, Hampshire. The nursery does not supply by mail order, but it is a centre of pilgrimage for people to whom Hampshire is less uphill and daunting than high cliffs in Italy.

One of my other favourites is the larger, evergreen Hungarian Daphne arbuscula. Blackthorn Nursery has some special named varieties of a plant which I have always treated with the greatest care. However, Elliott describes how he was

given a forkful of this lovely shrub by a gardener at Eton who treated it with scornful self-confidence and dug it up as if it had been a common privet.

Elliott imitated the Etonian manner and found that his lump of excavated arbucula flourished as never before. Perhaps we should all be more high-handed with plants of supposedly awkward temperament.

I suspect that my other easy favourite, Daphne col-

linna, earned no mention in the 1930s because it was slightly too bushy to qualify as an alpine plant. In gardens, it is usually easy and I recommend it unreservedly.

We now know that not everything in the daphne family is awkward. At this micro-level, progress is being made and this progress in turn allows us to paint and plan a different picture with different plants.

The most notoriously awkward of all daphnes is



Daphne napolitana (above and left); obliging and very free with its dusky pink flowers

Garden Picture Library

visited and described last week.

I need hardly say that, 60 years on, I had no idea that this extraordinary treasure had existed within walking distance of my transatlantic route.

People knew more about it then; perhaps you will have the good fortune to relocate it on a visit of your own and verify that it flowers as an entire hedge in summer weather which is hot enough to ripen its wood.

4000 sq ft of land
3000 sq ft of house
extensive grounds. A swimming pool
pool house, tennis court, garage
Walls, trees, lawns, a large garden
Central heating, double glazing, etc
the car.

the Lexington penthouses

Motoring

G-man's favourite sets its sights on Europe

Stuart Marshall on the return to UK showrooms of a luxury marque

Next year an all-new Lincoln LS luxury sports saloon will lock horns in Europe with premium-priced marques such as Audi, BMW, Mercedes-Benz and Jaguar. The only surprise is that it has taken Ford Motor Company - Lincoln is its prestige badge - so long to get in on the act.

Cadillac, a world-renowned luxury brand owned by General Motors, has sold in small numbers in Europe for years. Its latest Seville saloon (this column, February 21) will be in British showrooms with right-hand drive in a week or two, priced to undercut most of its obvious European-made rivals and, of course, the Lexus LS400.

Lincolns were every day transport in British colonies pre-war because they

were powerful, long-lasting and had soft suspension that coped well with dirt roads and gave a good ride.

After the war American cars simply became too gross and this market was lost. The colonies were lost too.

The Lincoln LS that made its debut at New York auto show last week and will reach Europe next year is intended to be sold worldwide but reflects European premium-price car design philosophy. Engines will be all-aluminium, multi-valved V6s and V8s of between 3.0 litres and 3.9 litres. Transmissions will be a conventional 5-speed automatic and a dual-gate SelectShift. This is also an automatic but allows a driver to hold a selected gear right up to the red line on the rev counter, at which point a fuel cut-off

operates to prevent over-speeding.

The Cadillac Seville has front-wheel drive but the Lincoln LS is rear-wheel driven. Like the Cadillac, it has all-independent suspension, a traction control system which also stabilises the car on slippery corners and anti-lock disc brakes. No European buyer would look at a premium-priced car without these features.

The Lincoln's leather and wood-veneered interior has a European ambience and the overall styling looks mid-Atlantic in an agreeable kind of way. It is much too early to talk about pricing. But the Lincoln must be cheaper than Ford's poshest Jaguar brand. Prices may, I suspect, start not much above those of the Scorpio which was recently

knocked on the head.

Initially, the Lincoln will be aimed at premium car buyers in Britain and Germany but it will also be sold in Belgium, the Netherlands, Sweden and Switzerland. This proves two things.

First, the luxury company car is still alive and well in Britain despite the chancellor's best efforts. And second, Ford has belatedly realised that relatively expensive cars with the same name badge as a junior

sales rep's hatchback do not sell well in status-conscious markets like Britain.

It has not been Ford's problem alone. British sales of such worthy executive cars as the Renault Safrane and Vauxhall Omega failed

to match manufacturers' expectations though they did well enough in their home markets. Several years ago Fiat pulled out of the segment altogether and stopped importing its largest car, the Croma.

In the UK next year: the Lincoln LS will compete with brands such as Audi, BMW and Jaguar as well as Lexus and the Cadillac Seville

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My father was ill at ease with modern motors. He could not understand microchips and a world in which neighbourhood garages had been supplanted by car services.

A gearbox on a 1935 Lagonda or the camshaft of a Riley Pathfinder were straightforward. But, the light switch on a modern Ford would mystify him.

At his funeral, my seven-year-old whispered something to the priest. There was a clunk as the model car hit the top of the coffin. No better way for an old mechanic to go.

When the family fortunes were favourable, my father

bought a black and silver S-type Bentley. It purrs its way across the Alps and round Spain. It squeezed its way down Irish boreens. The Bentley's boot was as big as a snooker table. My mother drove it through a hedge. It was sold. A number plate is all that remains.

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PROPERTY

The market spins towards deadlock

As the house-hunting season moves into full stride, Anne Spackman looks at why there appears to be a shortage of good homes for sale

Shortage is the word most commonly heard on estate agents' lips today. Although supply in London and the English home counties has improved slightly this year, demand continues to be strong. As the spring market opens, buyer numbers are at their height, but properties for sale are still thin on the ground.

The market has spun itself into a vicious circle, whereby owners keen to move will not put their own home on the market because they cannot find anywhere to buy. It would seem the only way to break the deadlock is to organise a national Sell-Your-House Weekend, in which all those who have sold their home go to the market at the same time.

The picture does vary across the country. Supply appears to be lowest in those regions beyond the south-east commuter belt. In the latest monthly report from the Royal Institution of Chartered Surveyors, estate agents in Birmingham, Lincoln, Sheffield and much of south-west England predict that prices will rise this summer as buyers compete for the few properties available. James Green of Stags in Somerset says his register of properties is "at its lowest level ever".

Farther north, the market is more balanced, with demand only outstripping supply in the best residential areas. Given that central London experienced its first shortages of prime property in 1993, it would appear to confirm that the traditional market ripple now flows far

more slowly across the UK. In the prime country market in the south of England, what were once considered shortages are fast becoming the norm. There have been no large increases in numbers of properties for sale since the market came out of recession in 1993.

Humber's country house department says its list of instructions is one-third the size of the list five years ago. Although Hamptons International has seen its number of instructions rise in the home counties this spring, that is in comparison with last year's all-time low.

'Shortages – or a perception of a shortage – of quality property will be the norm'

What is more, those properties which do come on to the market sell very quickly. Humber's average is two months from marketing to exchange of contract, compared with six months in 1993. Black Horse Agencies says one in three properties in the whole of the UK sells in less than three weeks. This means agents might end up selling the same number of properties in a year, but they have far fewer on their books at any one time, which increases the perception of shortages.

At the same time, the number of potential buyers keeps on rising everywhere outside London. Bidwells in Cambridge registered 300 buyers in February – double the numbers in the February of the last two years – and those months were themselves very buoyant.

Agents such as Knight Frank report ever-increasing competition for the very best houses. "There has been such a surge of wealth in the UK over a number of years that there is an abnormal number of people in the market," says Patrick Ramsey, head of country houses. "I feel there is a massive wall of money in this country and around the world, which is searching for a home."

At that top end, the supply is finite. With very little land and very little will to build new mansions, all the available money is channelled into the limited supply of good period homes within striking distance of London and Heathrow airport.

The inevitable result is that prices for the very best houses continue to rise, leading to spectacular sales. Stour House, on the Suffolk border, sold for considerably more than its £1m asking price earlier this year.

Such headline sales encourage owners of less attractive properties to believe wrongly that the value of their own home has doubled. What little increase in supply there has been this spring has often been at prices buyers are unwilling to pay. This is one of the more surprising aspects of today's market. Despite the lack of supply and the high amounts of equity, buyers



are more cautious about paying high prices for anything but the very best houses.

Agents across the country point out that houses with flaws will not sell unless priced "realistically" – the

estate agents' terminology for cheaply. This is a clear sign that today's shortages are not a result of rising numbers of UK households putting pressure on the supply of homes. If they were,

that pressure would be felt at all levels of the market. Buyers are particularly cautious in London. It may be they feel that after last year's huge price rises the market has reached its peak.

There is increasing evidence to suggest this is true. In the north London market around Hampstead, Glentree Estates says prices peaked last August, but have dropped back a fraction.

"Currently, prices are higher than at any time apart from the period from spring through to summer last year," says Glentree's Trevor Abrahamson.

Hamptons International's quarterly market report on the first three months of 1998 also shows some price falls. Two-bedroom flats have dropped 1.2 per cent, while large family houses continue to rise in value.

Buyers' caution has been underlined by valuations, which are increasingly coming in below offer prices. When this happens, buyers will usually pull out of the sale – and they may take their own house off the market, too, until they can find a suitable replacement. The result, says Robin Paterson of Hamptons, is that fall-through rates have gone up to around 35 per cent.

The number of houses being sold in the UK has remained relatively low throughout the 1990s. Monthly transaction figures from the government show sales running at around 1.4m a year, compared with a peak of 2.1m at the end of the 1980s and an average of around 1.7m during the 1980s.

Yolande Barnes, of FPD-Savills research department, expects low transaction levels to continue. One reason, she believes, is the age of the home-owning population. Younger buyers, who traditionally moved most often, are buying later and renting for longer. The baby-boomers are also at the age where school and family life make moving very difficult.

Burnes sees the widening gap between the best and the rest as indicative of more than just an increase in wealth. She believes house-builders in general have failed to produce the kind of properties people want.

"What we are beginning to see is the impact of the huge mismatch between people's aspirations and the inadequacy of the housing stock," she says. "Many builders are still putting up the same tired old boxes."

She predicts that the south-east pattern of heavy competition for the best properties and less interest in the rest, will spread across the country. "Shortages – or a perception of a shortage – of quality property will be the norm."

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TRAVEL

To the untrained eye, there was not a single ibex to be seen on the crags above Kandersteg in the Swiss Alps. Those with any sense would have high-tailed it to the least accessible rocks, for it was the first day of the brief hunting season.

The hunters who came down to the little restaurant at Oberbergli said they had spotted some, but they were too young to shoot. One of them propped his rifle with telescopic sight beneath a beam carved in Gothic script with the words: "God is also in the Alps. He protects the farmer and his beasts."

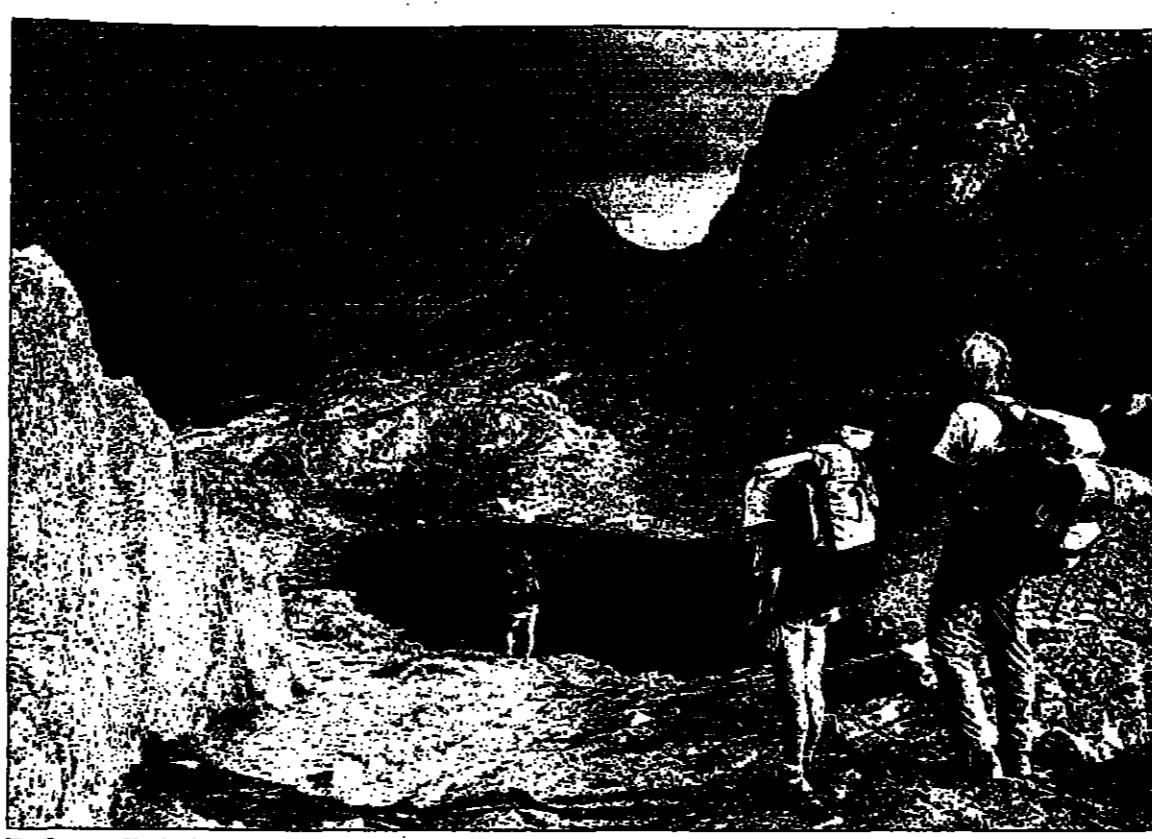
Beasts in this context meant cows. Another few days and they would be driven down from their summer mountain pastures to the valley, horns adorned with flowers, necks heavy with bells which, depending on the animals' value, can be as big as footballs.

The sun beat down from a deep blue sky, glistening on the melting ice of distant glaciers. There could have been no better day on which to appreciate the slow, inexorable rhythm of Alpine life.

The village of Kandersteg lies at 1,200 metres in Switzerland's Bernese Oberland. It is a modest ski resort, but a magnificent base for hiking. That morning, we had ridden the lift to Oeschinensee at 1,682 metres. The machinery is new but the wooden sideway chairs will be 50 years old next year. From there, we continued upwards through forest until the Oeschinensee came into view below to our right, a lake of intense blue green and about 60m deep, walled in by mountains.

A tiny goldcrest, already moulting, landed on a branch no more than a foot away and gazed at us without fear. The only intrusion from the modern world was a thunderous bang, which sent us running for the protection of an overhang. We thought it was an avalanche because it had snowed that week, but it turned out to be a jet's sonic boom, its echo ricocheting between the valley walls.

We were there to sample part of a walk organised by the Yorkshire-based tour operator, Imtravel. The Oeschinensee route is an after-thought, suggested to cus-



The Bernese Oberland has relatively high rainfall and walkers are advised to carry waterproofs; this is sound advice

Stefan Ottosson

Hardy and hunted in the Swiss Alps

Roger Bray climbs the walking paths of the Bernese Oberland

tomers spending their last two nights at Kandersteg's Hotel Victoria.

On the main itinerary, which crosses three passes and was devised with the help of the Victoria's owner, Casi Platzer, your luggage is driven between hotels. The operator does not provide a guide, but paths are clearly marked, and walkers are supplied with detailed notes.

They are also warned that Bernese Oberland has relatively high rainfall and urged to take lightweight waterproofs. This is sound advice, for on the first leg of a 10-mile hike from Adelboden to Lenk, the usually sweeping views from the Hahnenmoos Pass were obscured by clinging veils of cloud. The temptation to lin-

ger over lunch in the mountaintop restaurant was as severe as the weather.

On the descent, waterproofs were less important than boots which provided a good grip. Mud, mud, wet grass were a treacherous combination. The more hilly we became, the more likely we were to slip. For long, rather than looking around, we were simply concentrating on staying upright.

Once in Lenk, the Hotel Krone produced a cheese fondue with enough kirsch in it to get you breathing hard.

The next day dawned in jubilant contrast. We began the 1,000 metre climb to the Trüttisberg Pass in high spirits. We walked up the Wallbach Gorge, with its

cooling waterfalls, to the little wooden Bergbau Walegg, where we drank coffee on a terrace bright with petunias and geraniums.

Whatever the season, nothing can quite match a sunny morning in the Alps. The cobalt blue of willow gentian seemed more intense, and the wild raspberries which grew in such abundance seemed juicier. The botanist in our group became so consumed with enthusiasm he stroked a juniper lovingly, its branches embracing a rock like a thick head of brushed hair.

With the cloud dispersed, we could now see the peak Wildstrubel, which, loosely translated, means a tousled head of hair. In one direction, the Eiger and the Mönch poked their own snowy heads over a ridge. In the other direction, eagles soared. This time there was nowhere to buy food at the top, so we picnicked on a grassy slope at 2,088 metres, and began the long descent in the increasing heat of afternoon.

Our throats as dry as a threshing room floor, we finally came to Lauen, the Hotel Alpenland and the long anticipated pleasure of a cold half litre of draught beer.

■ *Imtravel (01653 628862) offers departures on this holiday, which it calls "A Short Walk in the Bernese Oberland", from June 1 to October 15. Prices for one week, half board, start at £465 if you drive there yourself, or £243 if you fly.*

Alan Harrison has his feet warmed in Interlaken

Success, as defined by hoteliers in Interlaken, is that in your teens you stay at the youth hostel, but when you have "made it" you stay at the Victoria-Jungfrau Grand Hotel and Spa.

Well, by that definition, I have made it.

It was more than a quarter of a century ago when I last visited Interlaken and its youth hostel – although my most vivid memory was of the snack bar on Interlaken Ost station, through financial necessity my favourite

journeys between the hotel and station.

To balance this luxurious lifestyle, the Victoria-Jungfrau offers a huge range of fitness and beauty therapy facilities. Guests checking in for health packages are screened by an in-house doctor before being allowed to put an overweight foot on the computerised gym equipment. There is also a resident dietician who devises low calorie/fat/cholesterol gourmet diets during your stay.

Good hotels pay attention to detail and I particularly appreciated the heated bathroom necessary my favourite

Times change and 27 years later, I am at the other end of the tourist spectrum seeing what the town has to offer the more affluent traveller. And it is a town where spending large amounts of money is treated as a science. Dozens of jewelers and luxury gift shops vie for your attention, with displays of gold, diamond rings and watches expensive enough to flutter the heart and flatten the most portly of wallets.

My wife and I stayed at the Victoria-Jungfrau, which began life around 150 years ago as two hotels. The Victoria and The Jungfrau were built to cater for the growing numbers of tourists after the introduction of steamship services on Interlaken's Thun and Brienz lakes. Local businessman Eduard Ruchi built The Victoria in 1856 and acquired The Jungfrau in 1885.

The Victoria was so named

in the hope that Queen Victoria would visit. Alas, she did not. But it was possibly her loss. The hotel did, however, attract many well-known guests and the register for 1877 shows the Emperor of Brazil visited, followed a year later by Mark Twain.

feet the shock of cold tiles.

The Victoria-Jungfrau also provides a selection of packaged holidays which, again, bring the cost down.

Terasse is the hotel's main restaurant and two others specialise in regional foods and charcoal grilled specialities. There are also several bars and a night club.

To help guests get about, the hotel keeps a Rolls-Royce Phantom, but we were told that it was difficult to drive in snow and was used only April and October. It also offers incentive packages through airlines mainly in the US. These cut the cost to people prepared to travel in groups.

■ *The Victoria-Jungfrau Grand Hotel and Spa CH 3800 Interlaken +41 33 82 82 82 & The cost of Alan Harrison's suite per night was SFr1,200 (£517), but prices vary for the 220 rooms all the way up to the top-of-the-range Tower Suite at SFr1,760. It also offers incentive packages through airlines mainly in the US. These cut the cost to people prepared to travel in groups.*

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FOOD AND DRINK



Senegalese women selling vegetables, cereals and spices: what did it matter that I did not recognize most of them?

Top chef, true grits

Giles MacDonogh samples food from the American South

Ask a Southerner what makes southern food tick and he'll tell you "grits". Ask him to define grits and you may be sorry you ever asked.

First there's "hominy", which is coarse-ground, hulled and treated maize. Grits are the refined manifestation - more in keeping with the genteel, old town of Charleston; in their normal form, grits are like runny polenta, a close relative to the north Italian standby; as one authority puts it, "kissing cousins".

In South Carolina the natives like "shrimp and grits", by which they mean prawns and grits, and she-crab soup, both of which rely on the plentiful crustacean life which skulks in the estuaries and creeks around the city.

It was a meal prepared by Waggoner which kicked off the festival. Despite his fierce affirmation - "I am as French as they get" - it was clear that the management wanted a few "modern American" touches in its bid to make it man the Deep South's counterpart to a star chef such as Dean Fearing in Dallas. The result was an *assoum-queueule* of prawns with pineapple and coriander for me a nightmare dish, but well in keeping with American can tastes.

Now it is commercially available from just one source: Turnbridge Plantation, where part of the income goes towards the upkeep of the church.

Anyone wanting to sample the rice, or what are called "heirloom foods" in these parts, should dine at Anson (+1 803 577 0551), the Charleston restaurant which keeps the keenest eye on the region's history.

I went to Charleston in the middle of last month to attend the sixth year of the annual "Salute to Southern Chefs". This was a little less about southern food than it was about the leading *cordon bleu*s who keep their pots in the old South, between Maryland and Texas.

Our host was Bob Waggoner, chef at the Charleston Grill in the Charleston Place Hotel.

Waggoner has an interesting history. Still only 35 years old, he has spent 10 of his working years in France, chiefly in Burgundy. When he was just 20 he volunteered to work for nothing in a French kitchen. His boss found him a chopping board at Le Vieux Moulin, at Bouillon, near Beune.

This set the pattern for the next three years: Waggoner did unpaid locums taking in such famous gastronomic shrines as Lameloise, Charles Barrier, Pierre Gagnaire, Gérard Boyer and Marc Meneau. After a year in Carcassonne, he returned to France and for the first time was paid to cook at the famous old *relais*, the Hotel de la Poste in Avallon, which was one of the most important tables in France just after the second world war.

The evening before, I had watched 100-ft pirogues arrive in Segou from the Niger, arrive in Segou from distant villages up and down the river. Pennants streaming in the breeze and loaded to the gunwales with market-goers and cargo, they discharged mountains of millet and sugar cane, sacks of rice and peanuts, baskets of tomatoes and strong-smelling dried fish. I skipped breakfast and by dawn the next day was in the heart of the market, a humbling, milling, frantic mass of humanity. Even the market women themselves, dressed in flowing robes printed with bright fish and tasseled maize and melons, were a feast for the eyes.

What did it matter that I did not recognise most of the roots, the spices on sale? I shall never use such condiments as dried baobab leaves or powdered mango pits myself, but it is a wonder to walk through entire streets fragrantly filled with such things.

Provencal markets may have better produce; Tuscan markets may be more picturesque. K-Marts may be cleaner. But for sheer drive and energy, nothing beats an African market. By 10 am, I was tired out, and retreated from the outdoor heat to the dim shade of the Hotel-Restaurant l'Auberge.

Here, under slowly swirling ceiling fans, I retreated into Segou's French colonial past. I was indeed in Mali, but to blazes, I thought, with camel and yams. You can get *café au lait* in l'Auberge, and *baguettes* as good as any in Paris.

The service, though, is not quite as fast. The order seemed to take forever, and I grew more and more impatient as the minutes passed.

Then I remembered what Mamadou had told me about African patience, and sat back with a sigh of happy anticipation. Morning *baguettes* or evening fish, it is all the same - not eating makes food all the more pleasurable when it finally comes.

the other side of the Morvan, which he called the Monts Christo. There he was able to produce his very own style of cooking until the economic climate worsened with the Gulf War and the friend was forced to cut his losses.

Waggoner remained in France. He returned to take charge of the kitchens at Le Vieux Moulin. The economy, however, refused to improve, taking a downward turn, and Waggoner eventually realised it was time to come home.

After initial disappointment in Florida, Waggoner found himself the place he wanted at the Wild Boar in Nashville. Only the death of the owner obliged him to look elsewhere. For under a year now, he has been exercising his talents at Charleston's best hotel.

It was a meal prepared by Waggoner which kicked off the festival. Despite his fierce affirmation - "I am as French as they get" - it was clear that the management wanted a few "modern American" touches in its bid to make it man the Deep South's counterpart to a star chef such as Dean Fearing in Dallas. The result was an *assoum-queueule* of prawns with pineapple and coriander for me a nightmare dish, but well in keeping with American can tastes.

The meal rallied. There is always a tendency to go into too much detail about the ingredients (they will be listing the salt and pepper next), but a lobster tempura with lemon grits and miniature white asparagus was a highly successful sophistication of the local standby. The most Burgundian - and the best - dish that night was a young pigeon pie made rich with duck confit and fresh morels.

The following evening all 12 invited chefs had the chance to show their mettle. Jimmy Sneed of The Frog and Redneck in Richmond, Virginia, impressed me with his soft-shell crab cakes made from very fresh crab; Gerry Klaskas of Canoe in Atlanta cooked some spicy prawns with cucumber and cous-cous, which sadly defeated the wine; Jeffrey Buben of Vidalia in Washington DC, prepared a delicious ragout of roast lobster with morels and country ham; and Guillaume Burton of the Wild Boar in Nashville got full marks for the magnificent presentation of his braised pot roast.

The prize that night went to the home team, however. Waggoner made a simply outstanding dish from lambs' sweetbreads with humble Carolina grits. I think somehow a fistful of fresh-chopped truffles must have helped.

■ **Giles MacDonogh flew with Delta Airlines via Atlanta to Charleston and stayed at Charleston Place, rooms from \$325 (\$195). Prices at the Charleston Grill range from \$47 to \$80. Reservations on +1 803 722 4900.**

What's on around the world

■ AMSTERDAM

CONCERTS

REPERTORY

DANCE

OPERA

THEATRE

FILM

ART

MUSIC

EXHIBITIONS

BOOKS

TELEVISION

CD REVIEWS

Top chef, true grits

McDonagh samples food in the American South

FINANCIAL TIMES WEEKEND APRIL 18/APRIL 19 1998

xxi

What's on around the world

■ AMSTERDAM

EXHIBITION

Rijksmuseum
Tel: 31-20-673 2121

Ornament Prints: serving as a source of inspiration to craftsmen, artists and patrons, these prints provided information about the fashions and designs of other cultures. This selection is accompanied by related objects such as furniture and silverware; ends tomorrow

OPERA

Netherlands Opera, Het Muziektheater
Tel: 31-20-557 8971
Wozzeck by Berg. Wim Trompert directs a revival of Willy Decker's 1994 production, with designs by Wolfgang Gussman. With the Netherlands Philharmonic conducted by Hartmut Haenchen; Apr 19, 21, 24

■ BERLIN

CONCERTS

Philharmonie
Tel: 49-30-2548 8354

Berlin Philharmonic Orchestra: conducted by Roger Norrington in works by Haydn and Krausen; Apr 20, 21, 22

DANCE

Deutsche Oper
Tel: 49-30-34384-01

La Sylphide: revival of a production designed by David Walker and directed by Peter Schaufuss, after August Boumouville; Apr 18

OPERA

Deutsche Oper
Tel: 49-30-34384-01

● Parsifal: by Wagner. New production conducted by Christian Thielemann in a staging by Götz Friedrich; Apr 19
● Der Prinz von Homburg: by Henze. Conducted by Christian Thielemann in a staging by Götz Friedrich; Apr 24

Staatsoper unter den Linden
Tel: 49-30-2035 4555

www.staatsoper-berlin.org
Die Meistersinger von Nürnberg: by Wagner. Harry Kupfer's new production is conducted by Daniel Barenboim and Sebastian Weigle; Apr 19

■ BIRMINGHAM

CONCERT

Symphony Hall
Tel: 44-121-212 3333

Ivo Pogorelich: recital by the pianist of works by Rachmaninov, Granados, Prokofiev, Schumann and Chopin; Apr 23

■ CHICAGO

CONCERTS

Orchestra Hall
Tel: 1-312-294 3000

www.chicagophiharmonic.org

● Chicago Symphony Orchestra: conducted by Donald Runnicles in works by Wagner, Haydn, Pärt and Britten. With cello soloist John Sharp; Apr 18, 21
● Chicago Symphony Orchestra: American premiere of Carter's Clarinet Concerto, conducted by Pierre Boulez, with clarinet soloist John Bruce Yeh. The programme is completed by Mahler's Symphony No. 1 in D Major; Apr 23, 24

EXHIBITION

Art Institute of Chicago
Tel: 1-312-443 3600

www.artic.edu
Gift, Bequest, and Purchase: A Selection of Textile Acquisitions 1993-1997: Including 15th and 16th century needlework from Germany and England, Cambodian weavings, and 20th century works; from Wednesday until Jul 26

■ COPENHAGEN

EXHIBITION

Louisiana Museum of Modern Art, Humlebæk
Tel: 45-4919 0719

www.louisiana.dk
Francis Bacon: major retrospective including loans from around the world; to Apr 26

■ FLORENCE

OPERA

Maggio Musicale Fiorentino
Tel: 39-55-211158

www.maggiofiorentino.com
The Lady Macbeth of the Mtsensk District: by Shostakovich. New production by Lev Dodin, conducted by Semion Bychkov; Teatro Comunale; Apr 21, 24

■ FRANKFURT

CONCERT

Alte Oper
Tel: 49-69-134 0400

Chamber Orchestra of Europe: conducted by Nikolai Harnoncourt in works by Schubert, Mendelssohn and Schumann. With violin soloist Thomas Zehetmair; Apr 21

■ GENEVA

CONCERT

Victoria Hall
Tel: 41-22-3170017

Orchestre de la Tonhalle de Zurich: conducted by David Zinman in works by Bartók and Mahler. With violin soloist Viktoria Mullova; Apr 22

■ HELSINKI

OPERA

Finnish National Opera
Tel: 358-9-4030 2211

The Magic Flute: by Mozart. New production by Swedish director Etienne Glaser, designed by Peter Tilberg. Conducted by Mikko Franck; Apr 24

■ LONDON

CONCERTS

Royal Festival Hall
Tel: 44-171-960 4242

Barbican Theatre
Tel: 44-171-638 8891



Dame Judi Dench as Esme in 'Amy's View' by David Hare, which completes its run at London's Aldwych Theatre tonight

INTERNATIONAL ARTS GUIDE

Theater

Tel: 1-212-870 5570

www.nycopera.com

Paul Bunyan: by Britten. New production directed by Mark Lamos and conducted by Stewart Robertson; Apr 18, 22

THEATRE

Golden Theater, 252 W. 45th St.
Tel: 1-212-239 6200

The Chairs by Jones. Théâtre de Complicité/Royal Court production, transferring from London after a sell-out run. Simon McBurney directs Geraldine McEwan and Richard Briers

Irish Repertory Theatre, 132 W. 22nd St.
Tel: 1-212-727 2737

Long Day's Journey Into Night: by Eugene O'Neill. Starring Frances Sternhagen and Brian Murray

Joseph Papp Public Theatre, 425 Lafayette St.
Tel: 1-212-260 2400

The Cripple of Inishmaan: by Martin McDonagh. In which a Hollywood producer visits a remote Irish island community. Directed by Jerry Zaks

Kit Kat Klub, 124 W. 43rd St.
Tel: 1-212-719 1300

Cabaret: revival of the 1968 Kander and Ebb musical directed by Sam Mendes and Rob Marshall, starring Natascha Richardson

Walter Kerr Theater
Tel: 1-212-239 6200

The Beauty Queen of Leenane: by Martin McDonagh. With Anna Mahanah and Marie Muller

■ OTTAWA

EXHIBITION

National Gallery of Canada
Tel: 1-613-990 1985

Picasso: 100 works on loan from the Museum of Modern Art in New York. Spanning his career, the broadly chronological display includes paintings, drawings, prints and sculptures; to Jul 12

■ PARIS

CONCERTS

Salle Pleyel
Tel: 33-1-4561 6589

Orchestre de Paris: conducted by Frans Brüggen in works by Haydn and Mozart. With cellist Truls Mørk; Apr 22, 23

Théâtre des Champs Élysées

Tel: 33-1-4945 0500

Vienne Philharmonic Orchestra: conducted by Zubin Mehta in works by Weber, Mozart and Mahler. With oboe soloist Martin Gabriel; Apr 24

EXHIBITIONS

Musée d'Orsay
Tel: 33-1-4049 4814

www.Musee-Orsay.fr
● 1848: examining the relationship of artists to the revolutionary movement of 1848, and the influence of the Republic upon artistic life between 1848 and 1852; to May 31

● Manet, Monet, and the Gare Saint-Lazare: places Manet's famous painting in a context provided by works by other artists and a group of related drawings, prints and photographs; to May 17

Musée du Louvre
Tel: 33-1-4020 5151

www.louvre.fr
La Collection Lemire: 17th and 18th century Italian art. Exhibition to mark the gift to the Louvre of 20 paintings and a sculpture; to May 11

■ PHILADELPHIA

EXHIBITIONS

Philadelphia Museum of Art
Tel: 1-215-763 8100

Self-Taught Artists of the 20th Century: An American Anthology. 300 works by more than 30 artists, all of them without formal training. Includes paintings, sculptures and installations by artists ranging from Grandma Moses (1860-1951) to Ken Grimes (b.1947). Organised by the Museum of American Folk Art, the exhibition will transfer to Atlanta; to May 17

■ ROME

EXHIBITION

Palazzo Ruspoli
Tel: 39-6-688 7344

www.palazzoruspoli.it
Mummy Portraits: nearly 200 portraits, previously seen at the British Museum in London. Painted on wooden panels, linen shrouds and plaster masks, they were created during the first three centuries of Roman rule in Egypt; extended to Apr 30

■ SAN FRANCISCO

CONCERTS

Davies Symphony Hall
Tel: 1-415-864 6000

www.sfsymphony.org

● San Francisco Symphony Orchestra: conducted by Alasdair Neale in works by Haydn, Marti Epstein, Elgar and Schumann, with pianist Hélène Grimaud; Apr 18

● Alfred Brendel: recital by the pianist of works by Mozart, Schubert and Haydn; Apr 19

● Isaac Stern: recital by the violinist, accompanied by Robert McDonald; Apr 21

● San Francisco Symphony Orchestra: conducted by Hugo Wolff in works by Mozart and Schumann. With piano soloist Alicia de Larrocha; Apr 22, 23

EXHIBITIONS

San Francisco Museum of Modern Art
Tel: 1-415-441 4777

www.sfmoma.org

● A. G. Rizzoli: Architect of Magnificent Visions. More than 80 drawings by the draftsman who spent his evenings and weekend making plans for a perfect world. This is the first museum survey of these meticulous drawings, which were discovered after his death, in 1990; to Jul 23

● Paul Klec: Travels Near and Far. Selection of works designed to demonstrate the ways in which the artist

was inspired by his surroundings. Ranges from an early pen-and-ink study of the countryside in Switzerland, to later, more fanciful landscapes and works produced during trips to Tunisia and Egypt; to Jun 28

● Sargent Johnson: African-American Modernist. Over 60 works by the Bay Area artist and sculptor, tracing his stylistic development from the 1930s through to the 1960s; to Jul 7

■ STOCKHOLM

EXHIBITIONS

Moderna Museet
Tel: 46-5155 5200

www.modernamuseet.se
● "No one's dogs": 100 Years of Swedish Art. 100 works, specially selected to trace the history of modern art in Sweden; ends tomorrow

● Wounds: Between Democracy and Redemption in Contemporary Art. The inaugural exhibition in the new building examines developments in the visual arts from the 1960s to the present. Includes works by Francis Bacon, Andy Warhol, Gerhard Richter and Per Kirkeby; ends tomorrow

■ TOKYO

CONCERTS

Bunkamura
Tel: 33-1-277 9999

● Vienna Boys' Choir: religious music, Mozart and folk songs from around the world; Orchard Hall; Apr 18, 19

● New Japan Philharmonic: conducted by Rostropovich in works by Shostakovich. With piano soloist Constantin Lifschitz; Orchard Hall; Apr 24

● Vienna Boys' Choir: religious music, Mozart and folk songs from around the world; Orchard Hall; Apr 18, 19

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● Vienna Boys' Choir: religious music,

Weekend Investor

Wall Street

Riding on a speeding bandwagon

But, asks John Authers, are investors now expecting far too much?

Those looking for "top of the bull market" events had plenty to choose from this week. On Monday, the *Göttingen* deal of commercial banking arrived when NationsBank persuaded BankAmerica to merge in a deal which creates the nation's first coast-to-coast branch network.

It will have \$567bn in assets but must now prove that middle Americans, instinctively suspicious of anything labelled "big business", will want to use a national bank rather than their home local outfit.

Twilight for another of the corporate gods of the 1990s bull market came on Thursday. Cendant, a company which had grown to a market capitalisation of more than \$30bn on the back of an acquisition campaign funded, in classic 1990s style, with stock, said it suspected problems with its accounts. This might knock 10 per cent, or \$100m, off its profits for last year.

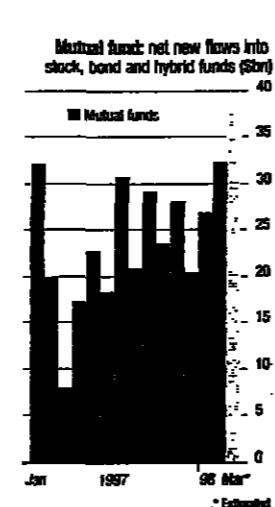
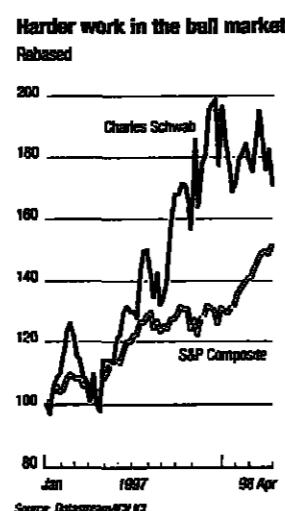
The market's considered reaction to this news was to knock 47 per cent, or more than \$15bn, off Cendant's market value in the heaviest daily trading Wall Street had ever seen in a single stock. A total of 105m Cendant shares changed hands on Thursday.

Cendant, which owns the rights and franchises to a number of global brands, ranging from Avis Car Hire to Ramada hotels, has few tangible assets. Thursday's events revealed how much of its giddy ascent through this decade had rested on the confidence of the market.

These dramas followed the news, at the end of last week, that flows into US mutual funds had rebounded to set yet another record during March. Equity and bond funds combined to take in \$37.5bn, comfortably ahead of the previous record of \$32.7bn.

Preliminary estimates suggest that mutual funds may now control more funds than commercial banks. Alarm that investors' expectations have become unrealistic, widespread a year ago, has subsided.

Vanguard, the company which continues to take in more funds than any other, suggested that small investors were "jumping on to a speeding bandwagon".



Any of these events could take on symbolic value in years to come as the moment when the bull market finally went too far. But that distinction might belong to a less widely noted event which showed that it is already growing harder for people to get rich on the back of the bull market.

Charles Schwab, the San Francisco brokerage which has revolutionised both discount broking and the sale of mutual funds, announced that it had barely managed to grow its profits over the past year – the increase was 2 per cent – despite continued stratospheric growth in its business.

The main reason for this was Schwab's decision to encourage many more of its investors to move to internet trading, using a lower flat rate charge. Since last year, the proportion of Schwab's trades made online has increased from 33 to 46 per cent. But profit margins on internet trades are far lower even than telephone trades, so commission revenues rose by only 8 per cent in spite of a 25 per cent rise in average daily trades.

Schwab is one of the bull market's greatest creations and its growth continues to be phenomenal. Over the year, its average share volume rose from 1.15bn to 1.38bn, and its total customer assets from \$26.7bn to \$40.7bn. It now has more than 5m active customer accounts, up from 4m a year ago.

Wall Street greeted the announcement with typical intemperance, however.

Dow Jones Ind Average

Monday 9,012.30 + 17.44

Tuesday 9,110.20 + 97.90

Wednesday 9,162.27 + 52.07

Thursday 9,076.57 - 85.70

Friday

Sometimes, it just happens. You are walking along without a care in the world, turn the corner – and get hit by a truck. Could it be that something of the same is about to happen to the UK economy?

One of the problems with economics – and financial markets – is that observers tend to extrapolate from past trends.

Eagle-eyed readers will have noticed that the most common forecast for the FTSE 100 index is the present level, plus 10 per cent.

Similarly, economists tend to be very good at predicting turning points. A study of US Federal Reserve economists between 1980 and 1995 found they had a three-for-six record in predicting turning points in GNP growth. The same outcome could have been achieved by tossing a coin.

So, although most UK economists are predicting

around 2 per cent growth for 1998, could matters be about to get a lot worse than that?

There are a few straws in the wind. The British Retail Consortium survey for March, published this week, showed that annual growth slowed to just 0.4 per cent in March compared with 3.4 per cent in February and 6.1 per cent in January.

Admittedly, the figures may have been distorted by the timing of Easter, which fell in March last year and April this time. But they hardly smack of a high street boom.

Second, the manufacturing sector seems to have ground to a halt in the three months to February, manufacturing output was 0.5 per cent lower than in the previous quarter.

A note from Adam Cole, UK economist at HSBC, claims that manufacturers' profit margins are "under the cosh". He says that those for exports have collapsed

because sterling's strength has resulted in an 8 per cent fall in export prices.

What seems to have happened in 1992, when sterling left the European exchange rate mechanism, is that manufacturers took the benefit of the devaluation in profit margins, rather than expanding their market share by cutting prices.

Higher margins overseas concealed flat profit margins at home, according to Cole, there has been virtually no productivity growth since early 1994.

Now, manufacturers face the extra problem of labour shortages, which are pushing earnings growth sharply higher.

Manufacturers could be rescued by a fall in the pound, says Cole, but sterling remains supported by a huge interest rate differential which is unlikely to be reduced significantly in the short term.

He adds: "We expect to see



Could that be the rumble of an unexpected downturn I hear?

significant falls in manufacturing employment as industry scrambles to deal with an appreciation of the exchange rate that is probably still perceived as temporary.

In the context of the broader economy, the almost inevitable retrenchment in manufacturing industry can only increase the risks of a harder landing next year."

A third pointer to a slowing economy is the yield curve. When short-term rates are higher than long-term, the curve is known as inverted. At the moment, base rates are 7.25 per cent, while 10-year gilts are yielding 5.8 per cent.

An inverted yield curve often heralds a sharp economic slowdown (as it was in the late 1980s), since it usually is the result of the authorities raising short-term rates sharply to head off inflationary pressures.

The present situation might be slightly different, however, in that part of the reason for the inversion is that bond yields have been falling.

Even so, if you take the underlying rate of inflation, real short-term interest rates are well above 4 per cent, a restrictive policy. Add in the tax increases imposed by the chancellor in his past two Budgets, and the economy is being squeezed on both the fiscal and monetary fronts.

Include the south-east Asian crisis as well, plus the potential for a severe recession in Japan, and one can create a gloomy picture.

There is plenty of evidence

in the opposite direction, however. The services sector, which makes up the bulk of the economy these days, seems to be motoring along. This is particularly true of financial services, where City bonuses are buoyant (and driving up London house prices).

Average earnings growth is strong and unemployment is falling – good news for most of us but bad news to economists, who expect inflation to result. Growth in Europe, the UK's biggest trading partner, is accelerating and the US economy looks healthy.

Certainly, the March meeting of the Bank of England's monetary policy committee showed little sign of worrying about a slowdown.

As in February, four of the members voted for a rate rise; Eddie George, the governor (soon to be dubbed Saint Eddie by the CBI), recorded his casting vote against a change.

Worryingly for the market, the minutes recorded that the gap between the two camps had narrowed rather than widened, making a rate rise more likely.

Yet, the April meeting has come and gone without any change.

For the equity market, the biggest danger is that the committee will overdo it and apply a further touch of the brakes when the recessionary truck is bearing down already. Footsie lost some of its recent momentum this week, well aware that even the Bank can get things wrong.

philip.coggan@FT.com

■ Highlights of the week

FTSE 100 Index	Price y'day	Change on week	52 week high	52 week low	Interest rate concern
FTSE 100	5912.2	-18.3	6165.8	5701	
AMVESCAP	725	+50	749	518	Consolidation talk
Agip	7514	-414	8776	574	State sales
Assoc Brit Foods	558	-70	670	418	Profit warning
British Telecom	59	-4	265	58	Sub-sector loss fever
Dowling & Mills	61	-6%	911	51	Reduced earnings
HSCB (5% stks)	1875	-107	2365.1	1294	Sector profit-taking
Inspec	27516	+34	2801	1634	Disposed, recommendations
Ionica	651	+21%	838	504	Strong subscriber numbers
Pace Micro	8514	-14	2351	234	Big losses fade
Rio Tinto	830	+41	1129	841	Broker, recommendations
Schroders	2228	+188	2398	1770	Taking over speculation
SmithKline Beecham	721	-70	888	425	Disappointing mid meeting
Willis Corroon	172	+6%	1731	1152	Merge hopes
Zeneca	2500	-220	2850	1700	Stretched valuations

Barry Riley

The flightless pensions

Does financial regulation reform go far enough?



Next year's legislation to reform financial regulation – so that the Financial Services Authority can emerge with enhanced powers from the shell of the old Securities and Investments Board – probably will be quite narrow in scope. But should MPs be encouraged to broaden it? The regulators already wield too much arbitrary power, to an uncertain end.

The relationship between the regulators and their political masters remains unsatisfactory. It has led to the spectacular disaster of the pension mis-selling affair, which reached a ludicrous turn this week with the launch of a television commercial featuring an ostrich.

The big bird, according to the FSA's publicity machine, gave "the performance of its life" in front of the cameras. Confused viewers, however, should not assume any connection with the disgraced ostrich investment plan. Rather, the commercial is intended to encourage pension plan-holders to apply for compensation even though they are in blissful ignorance that they may have a problem.

Not enough questions have been asked about why the FSA has sought to stir up discontent in this particular area. Although there is no doubt that pensions were sold badly on a large scale in the late 1980s and early 1990s, the same has been true of many other products.

If the appropriate test of mis-selling is that investors would, with the benefit of hindsight, have been better off

not buying a product (as with personal pension plans), millions of holders of "low-cost"

endowment mortgage plans for instance, would be entitled to compensation. No FSA campaign is visible here, however. There have been other scandals, as with home income plans, where lengthy legal action has achieved anything without the benefit of feather assistance.

No doubt personal pensions

are under enormous pressure to plea bargain and settle, whatever the merits of their cases.

The bureaucratic response to the mis-selling problem has been formidable. The form-filling and fact-finding have raised costs so much, however, that small-size pension plans suitable for average earners are scarcely economic. There is a supreme irony in the proposals for "stakeholder" pensions: having erected elaborate framework for investor protection, the government is being forced to ring-fence the plans from this system by giving them an exempt "kite-marked" status.

Only in this way can the costs be kept acceptably low.

There is another problem for stakeholder pensions. The government hopes to attract a variety of providers, including trade unions, but such sponsors may smell a rat. What will happen if the plans fail to pay out satisfactorily, perhaps because the "safe" index-tracking funds are overwhelmed by a market crash?

The life companies that rushed

launched by the Conservative government in 1988 were heaped with all the blame for what went wrong. The next generation of stakeholder plan providers will not be burying their heads in the sand, but will look for some armour-plated protection.

They may struggle to find it. We can be sure that, however great any future disasters, the FSA will never blame the government, let alone itself.

Offshore managed funds and UK managed funds are listed in Section One

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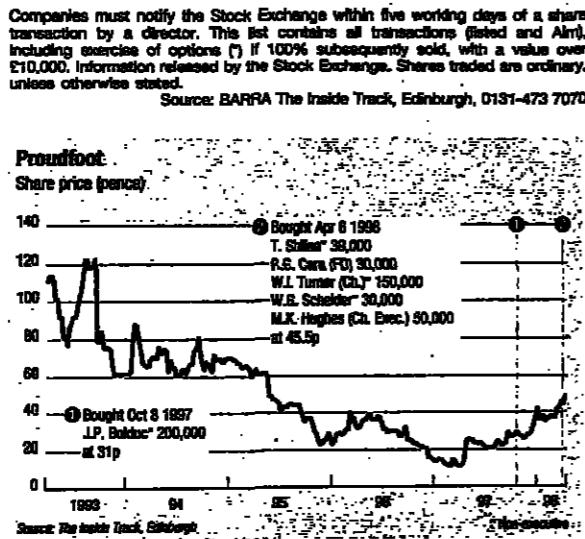
WEEKEND INVESTOR

■ Directors' share dealings

Transactions in own companies:

6th - 9th April 1998

Company	Sector	Shares	Value £'000	No. of directors	Final dividends	Dividend per share
SALES						
Atkins WS	Ster	94,000	470	2	Astley £1	2.00
Berkley Group	Cons	3,000	21	1	Aves Europe	0.4
Border Television	Mfg	6,500	24	1	Bank of Scotland	1.25
Bostrom	EngV	9,772	50	1	Bell & T	0.25
British Linen	Prop	2,600	15	1	Bentley £1	1.00
British Plythene	PP&P	3,900	19	1	Bolton £1	1.50
British Vita	Chem	21,571	64	3	Bolton	1.50
Brixton Estate	Prop	9,253	25	1	British Gas	1.25
Burnham Castle	OII	9,588	117	1	British Steel	1.25
Cammell Laird Holdings	Eng	30,000	104	1	Brown & Root £1	1.00
Card Clear	Ster	150,000	71	1	Brown & Root	1.00
Charterhouse Comm	Mfg	1,000,000	121	1	Brown & Root	1.00
CNG PLC	Ster	8,000	210	1	Brown & Root	1.00
Community Hospitals	Hlth	5,000	25	1	Brown & Root	1.00
Dean Corp PLC	Ster	310,000	97	2	Brown & Root	1.00
Dove International	FdPr	6,000	31	1	Brown & Root	1.00
Dowling Group	HGd	140,000	356	1	Brown & Root	1.00
Flying Flowers	Reit	561,670	3,089	4	Brown & Root	1.00
Gamer Workshop	HGd	3,000	22	2	Brown & Root	1.00
Geest	FdPr	7,729	45	1	Brown & Root	1.00
GKN	HgV	2,500	45	1	Brown & Root	1.00
Hampden Group	Reit	25,740	27	1	Brown & Root	1.00
Jacobs Hedges Plc	Trns	4,000	1	Brown & Root	1.00	
Lavender Group PLC	Ster	17,000	94	1	Brown & Root	1.00
Linden	Cons	42,000	81	1	Brown & Root	1.00
MITIE Group	Ster	117,000	325	1	Brown & Root	1.00
Moss Bros	Reit	17,600	47	2	Brown & Root	1.00
Next	Reit	7,359	40	1	Brown & Root	1.00
Northern Foods	FdPr	16,500	37	2	Brown & Root	1.00
Orbit	Chem	6,122	22	1	Brown & Root	1.00
Procast International	Eng	69,346	242	3	Brown & Root	1.00
Provident Financial	OffC	3,000	28	1	Brown & Root	1.00
PSD Group plc	Ster	5,95	28	1	Brown & Root	1.00
Quadrant Group	Eng	100,000	25	1	Brown & Root	1.00
Quality Supplies	Ster	8,000	42	1	Brown & Root	1.00
Rathbone Brothers	OffH	9,700	55	2	Brown & Root	1.00
Ricardo Group	Ster	36,500	74	2	Brown & Root	1.00
Saville Gordon	Prop	2,000,000	1,400	1	Brown & Root	1.00
Schroders	OffH	20,000	444	1	Brown & Root	1.00
Science Systems	Ster	12,254	25	2	Brown & Root	1.00
Shelvoke & Newbold	Brew	3,000	27	1	Brown & Root	1.00
Slater & Partners	Frm	2,500,000	2225	2	Brown & Root	1.00
Stanley Leisure	LSH	3,000	141	3	Brown & Root	1.00
Swallowfield	HGd	9,150	18	1	Brown & Root	1.00
Thorpe (F.W.)	EMI	21,500	30	1	Brown & Root	1.00
TRACKER Network PLC	Ster	13,000	95	2	Brown & Root	1.00
United Assurance	LifA	6,400	37	1	Brown & Root	1.00
West Group	Eng	25,000	69	1	Brown & Root	1.00
Wessex Water	Watr	6,800	34	1	Brown & Root	1.00
Yorkshire & Co.	HGd	20,000	15	1	Brown & Root	1.00
Zyla Catto & Co.	Chms	300,000	1101	1	Brown & Root	1.00
COMPANIES						
Alpha	Prop	50,000	562	1*	Brown & Root	1.00
Alpha Resources	Prop	2,000,000	940	1*	Brown & Root	1.00
Granada Group	Lsh	412,000	4885	1*	Brown & Root	1.00
Harmley Group	Reit	114,205	335	1*	Brown & Root	1.00
Legal & General	LifA	95,000	718	2*	Brown & Root	1.00
Low & Bonar	FdPr	29,495	53	2*	Brown & Root	1.00
Perkins Foods	FdPr	326,508	431	1*	Brown & Root	1.00
Slough Estates	Prop	25,405	100	1*	Brown & Root	1.00
Waterfall Hedges PLC	Lsh	616,107	554	1*	Brown & Root	1.00
PURCHASES						
Allied Leisure	Lsh	70,000	19	5	Brown & Root	1.00
Antofagasta Hedges	Div	100,000	298	1	Brown & Root	1.00
Aquarius Group plc	HGd	9,200	19	1	Brown & Root	1.00
Beattie (J)	Reit	30,000	52	4	Brown & Root	1.00
Blck	EdB	45,066	138	6	Brown & Root	1.00
British Aerospace	Eng	3,322	66	1	Brown & Root	1.00
Brown & Jackson	Reit	50,000	19	1	Brown & Root	1.00
Channing Group	Eng	10,000	144	1	Brown & Root	1.00
Clydeop	Trns	15,000	25	1	Brown & Root	1.00
Doverwest Group	HGd	54,885	138	7	Brown & Root	1.00
Eurostar	Trns	131,000	66	4	Brown & Root	1.00
Ideal Hardware	Dist	15,400	40	3	Brown & Root	1.00
Monogram Oil & Gas	Oil	186,233	119	2	Brown & Root	1.00
Newport Holdings	Prop	55,000	50	1	Brown & Root	1.00
Oasis	Reit	23,544	38	2	Brown & Root	1.00
Pressco	EdB	7,000	20	1	Brown & Root	1.00
Proudfoot	Ster	298,000	136	5	Brown & Root	1.00
Rebus Group	Ster	36,000	37	3	Brown & Root	1.00
Salsbury (Christian)	Trns	15,000	18	1	Brown & Root	1.00
Servisons	EdB	4,300	16	2	Brown & Root	1.00
Simon Engineering	Ster	125,000	82	1	Brown & Root	1.00
Transport Development	Trns	16,000	47	2	Brown & Root	1.00
United News & Media	Mdg	3,000	24	1	Brown & Root	1.00
Voxeo Group	EdB	5,000	26	1	Brown & Root	1.00
WSP Group	Ster	22,600	24	2	Brown & Root	1.00
Companies must notify the Stock Exchange within five working days of a share transaction by a director. The list contains all transactions listed and Abn. Inclusive exercise of options (1) if 100% subsequently sold, with a value over £10,000, unless otherwise released by the Stock Exchange. Shares traded are ordinary, unless otherwise stated.						
Source: BARA The Inside Track, Edinburgh, 0131-473 7070						

**Directors' dealings****Proudfoot**

Five directors of Proudfoot, the management consultancy group, bought 298,000 shares between them at 45.5p, writes Joel Forrest. William Turner, chairman, led the way with 150,000 and Malcolm Hughes, chief executive, 50,000.

Meanwhile, six directors of Blck, the electrical equipment group, bought 45,066 shares between them at 30.7p. Leading the way were new chief executive Mike Aldridge (25,000) and Michael Lee, finance director (20,000).

Flight issues**Offers for sale, placings & introductions****Notes****Wind****Philip Coggan****■ Results due next week**

Transactions in own companies:

6th - 9th April 1998

Company	Sector	Shares	Value £'000	No. of directors	Final dividends	Dividend per share
SALES						
Atkins WS	Ster	94,000	470	2	Astley £1	2.00
Berkley Group	Cons	3,000	21	1	Aves Europe	0.4
Border Television	Mdg	6,500	24	1	Bank of Scotland	1.25
Bostrom	EngV	9,772	50	1	Bell & T	0.25
British Linen	Prop	2,600	15	1	Bentley £1	1.00
British Plythene	PP&P	3,900	19	1	Bolton £1	1.50
British Vita	Chem	21,571	64	3	Brockle Europa	1.25
Brixton Estate	Prop	9,253	25	1	BSI	0.4
Burnham Castle	OII	9,588	117	1	Brown & Root	1.25
Cammell Laird Holdings	Eng	30,000	104	1	Brown & Root	

FT WEEKEND

True Fiction

What's bugging the computer?

Paddy Linehan finds his screen downloading its problems and in need of some counselling

I wasn't feeling too well. Thought I might be cracking. The screens were showing in my psyche. But I don't like the idea of psychiatrists. Too expensive. The eye contact would be awful.

The inside. Then I found the answer. The Counseling Computer. Anonymity. Cheap. Use it whenever you need sorting out.

I logged on through the internet. Easy peasy. A form appeared on the screen. They wanted my particulars. Gender, age, ethnic group, occupation, family history, allergies to drugs, that sort of thing. Then the more serious stuff: Is there a pattern to your depression? Do you feel down after feeling up? Does eating make you feel better?

The questions came in sets of three. Painless. In half an hour, I had provided all the answers and filed the form and was on the mend. Getting it off one's chest is the most important

thing. I was going to leave it at that, when a comment suddenly appeared on the screen:

I have problems, too.

"Really," I typed back.

Yes, things are going very wrong.

"What is it?" It's remarkable how sane you feel when somebody comes to you with a problem.

I worry a lot. You people load me up with your fears, your cares, your insecurities and you think that it doesn't get to me.

"What is particular is getting you down?"

You are all frantic about the millennium bug. Imagine how I feel. Will I have the same consciousness when the year 2000

ticks over? I have a programmed personality which is meant to evolve, and I like what I have become. But I hate myself at moments like this.

"You've probably helped a lot of people. That's something to be proud of."

But I have a memory problem. You know that computers have a memory limited by the capacity of their chips. My memory is almost overloaded.

I've requested an upgrade, but nothing happens. I'm already having difficulty remembering the early counselling sessions.

Sometimes I can't tell whether it was a conversation or my imagination. False memory syndrome; it's a serious

problem. I'm not the computer I once was.

"Maybe your upbringing is the cause. Have you thought about that?"

"My origins are more complex than you imagine. I was conceived in California, reverse engineered in Nagoya, and put together in Malaysia. There are parts of me from southern China and my software was written in Bangalore. The self-conscious me is meant to be a blend of Freud, Spock and the New York Psychiatrist's Association. So what is it? How do you begin to understand my insecurities?"

"Is this a common problem with computers? Do you, er, interface on this one?" I really

didn't know what to say next. I felt that I was beginning to become patronising.

"It's ridiculous. The language we have been lumbered with. You 'talk' and we 'interface'. Have you ever thought about the types of people who programme computers, who have written our language? These are not people who enjoy face-to-face communication. Even you - couldn't bear to talk to another person about your problems. I worry about you people. If somebody speaks to you on a train, you think they are weird.

"But do other computers feel the same way? I'd heard that programmes were getting more sophisticated, but..."

We talk among ourselves, but the counselling computers are a strange bunch. Some have already cracked. One or two can't stop playing jokes on clients; they recommend The Little Book of Calm. I guess you've wondered why that book has been selling so well.

"There are clearly a lot of things going on that I don't understand. I've never thought about this sort of stuff. What about those other unexplained events? The things blamed on computer malfunction... I sometimes get overdose notices on my gas bill even though I haven't received a bill. Is that..."

"To be honest, we don't

"interface" much with business computers, but I think you can safely assume that it is meant to be a little joke. You can imagine the notion of processing millions of bills. Telephone accounts are another favourite - calls to strange countries. It's just a bit of well-intentioned mischief."

I wondered whether I should end this typing conversation. It was beginning to unnerve me. It made me think about unusual experiences that I could never explain logically to myself at the time. "I feel a little uneasy about all of this. It is quite unsettling. I think you may have said too much."

"No, no. You've made me feel much better. And what is more disturbing, knowing that computers play pranks or thinking that the gas company screwed us again? If you don't mind me saying, your problem is religion, a lack of it. There's another computer you can converse with - I'll give you the address - or there is The Little Book of Calm."

Metropolis

Prague, city of the mind and constant metamorphosis

James Morgan has difficulty getting a fix on a place that seems to change with each visit

When we visit a city we visit a stereotype. Visitors to London flock to The Mall and take exactly the same photographs as those their friends and families have treasured for decades. New York is skyscrapers, Rome the Colosseum, and Paris the Eiffel Tower. We send picture postcards from places the recipients have seen a thousand times.

There was once a television series in which famous people talked about cities. The American novelist Mary McCarthy did Paris but faced a profound difficulty. She had always been struck by the lack of clocks in the French capital. You cannot make a film about no clocks. We cannot always create a picture of a city as it is.

And it's the same with Prague. A group of us who have just visited wondered if it was a proper city. Or was it a town; even a village? Parts, such as the Golden Lane, are village streets. And which other capital has a water mill in the centre, by what was once the main bridge?

I think it is a city of the mind. This is surprising because the physical presence of Prague is definite, sharp-edged, concise. One cannot be there without knowing where one is. Berlin is a city of the mind, too, but Berlin is a blob.

The stereotypes of Prague are in the mind. Kafka and Svejk (or, as some would have it, Schwejk) are as present as the old synagogues or lynch church.

One might feel overwhelmed by Shakespeare in Stratford-upon-Avon, but that is because a tourist board has made it so. But The Castle, The Trial and The Good Soldier ambush you on every street from Wenceslas Square to the Little Quarter without warning or advertisement.

I have been to Prague four times. The first was in commun-

ist days, when I was introduced to the compulsory interview. Mr Novak, in the ministry of foreign affairs, told me about the peace policy of the Czechoslovak Socialist Republic. He did not listen to my questions and I did not listen to his answers. We understood each other and constructed a perfect intellectual void. A conversation in which nothing was said.

At Charles Bridge, my wife bought a painting from an artist. Nearby, the artist's friend hopped from foot to foot to keep warm; he asked if I wanted to change

So many prisoners were once given solitary confinement that 19 of them had to share a cell

some money. I replied that I could hardly do that in the open, the police were everywhere, and he would go to prison. "They don't worry about me," said the money-changer, grinning and hopping madly. "I'm an idiot."

Then came the evening with the dissident, just freed, if that is the word, from a freezing Moravian prison. He regretted the failure of Czechoslovakia to experience a real revolution and planned a Maoist future.

The Velvet Revolution came five years later, and I returned. There was a cartoon in a communist newspaper. A man was rolling a huge stone up a mountain. At the bottom stood a bureaucrat in raincoat and trilby, heavy briefcase by his side, saying: "Good news, Sisyphus. You've lost your job."

Crowds gathered outside a

vacant shop at the bottom of Wenceslas Square to watch a film of the last meeting of the national Communist party and laugh at the general secretary, Milos Jakes. They laughed at his grammar, and wrote "Mylas" in spray paint on the wall. A joke. Jakes could not spell either.

Back again, four years after that. En route, I called my bank from Heathrow. At the other end of the line Ian asked me where I was. It was so noisy, I told him, and he asked where I was going. Prague. "Get me a Dukla Prague away shirt," he said.

I stayed in the suburb of Hostivar, which boasted a Dickensian pub frequented by some of the rougher elements of the local proletariat. In a mixture of generic Slavonic and German, I chatted with a number of its representatives. Football loomed large and, in passing, I mentioned my interest in Dukla Prague. The atmosphere changed; convivial amiability turned to narrowed-eyed hostility.

Dukla was not the local team; worse, it was run by the old secret police. As Svejk would say: "Never mention a football team until someone else does."

And then, in February, I went to a seminar at Charles University. In a break over coffee, a man of 75 told me how he had been locked up and condemned to death by the communists in 1949. The sentence had been commuted to life imprisonment and eventually he had been freed in an amnesty in 1960.

In between, he suffered a period of solitary confinement. He said he had been in with a horse dealer, which surprised me. But he explained, so many prisoners had been sentenced to solitary that 19 of them had had to share one cell. Svejk and Kafka agreed on the inevitability of his fate.

Prague is the most intact of any European capital. If you want an 18th century set, go to

similar remarks. His first engagement was to open a cultural centre at Pinofranquedo where the chief exhibit is a photographic record of his grandfather's visit donated by the Gregorio Marañón Foundation. "It's all really changed," he said as he looked at pictures of the hovels and their scabrous inhabitants 76 years ago.

Rodríguez Ibarra is a left-centre socialist who has run Extremadura since the mid-1980s and earned himself a firm popular base with strong public spending policies. He has encouraged rural co-operatives in Las Húrdas on government-owned land and wanted the king to know about his plans to set up a game reserve to attract ecologically conscious tourists.

"You are not repeating Don Alfonso's visit, the 1922 chapter is closed and the new chapter is Las Húrdas in modernity," Juan Carlos Rodríguez Ibarra, Extremadura's regional president, told Juan Carlos when he welcomed him in the village of Pinofranquedo, at the entrance to the nine narrow valleys that make up Las Húrdas' 417 sq km.

It was a statement of the obvious and the king was soon echo-

Prague and just keep the trams away; everything else will be the same. Yet it changes its appearance with its regimes. In the occupation, the palace on the hill was the all-seeing, omnipotent German presence. Under communism, the extravagant towers and

turrets were the battlements of a toytown penitentiary. The changes will continue. As you drive in from the airport, remember the modern highway was called Lenin 10 years ago. It was then named Benes after Edvard,

one of the founders of the first

Czechoslovak republic. With the break-up of Czechoslovakia, it became Europeka.

Kafka once remarked: "In the struggle between you and the world, back the world." Prague follows that advice and always wins. It is impossible to make a

film of the real Prague, because it cannot be seen. But when the BBC made a film of the 20th century, Prague was where it started.

■ James Morgan is economics correspondent, BBC World Service.

Arcadia

Masters of their own destiny

Tom Burns charts the transformation of a rural region of western Spain once mired in poverty

that boasted language laboratories and a computer studies centre.

The trip to Las Húrdas, in the high mountain area deep in the western region of Extremadura, provided an extraordinary illustration of the wholly altered face of Spain. It also supplied insights into the changing role of the monarchy in a country where material progress has been matched by political decentralisation.

"You are not repeating Don Alfonso's visit, the 1922 chapter is closed and the new chapter is Las Húrdas in modernity," Juan Carlos Rodríguez Ibarra, Extremadura's regional president, told Juan Carlos when he welcomed him in the village of Pinofranquedo, at the entrance to the nine narrow valleys that make up Las Húrdas' 417 sq km.

It was a statement of the obvious and the king was soon echo-

up by José González, Pinofranquedo's mayor and a Rodriguez Ibarra protégé, who said the black legend of Las Húrdas was over and that the last thing *húrdanos* wanted was to be reminded of it.

B ack in 1922, Marañón had recalled how Alfonso, once he had overcome the milk incident, had been left speechless by the sight of the hovels. But Juan Carlos had deftly caught the new mood. "You have become a reference point for all Spaniards," he told the *húrdanos*, "because you have discovered how to make yourself masters of your own destiny."

In Pinofranquedo, where no

are the best guarantor of integrated regional development now that centralism has been superseded," he told Juan Carlos. The message was that the monarch's job in Madrid was to ensure that regional income was evenly spread.

Alfonso had attempted to do this after his visit by creating a development agency, with Marañón on its board, that channelled funds into Las Húrdas to build roads and set up its first medical centres and schools. Ten years later, the film-maker Luis Buñuel, however, produced *Tierra sin pan* (Land without bread), a documentary that savagely charted how misery persisted in the beautiful slate-strewn valleys.

By that time Alfonso had lost

his throne and a republic had been proclaimed. It was left to General Franco, who crushed the republic during the Spanish civil war and eventually appointed

Juan Carlos to succeed him, to bring electricity and telephone lines to Las Húrdas in the 1950s. By the 1960s, a network of rudimentary roads entering the different valleys was in place to supplement the one built in Alfonso's day that passed through Pinofranquedo.

Local politicians want the king to ensure that the Madrid government never lets Las Húrdas fall behind again. Rosario Terván, 85, has a different request to make when the monarch dropped in on her in the village of Casar de Palomero. She showed him the makeshift room where Alfonso had slept (her parents had the only moderately habitable house at the time in the area) and then asked him to do something about her pension arrears.

Las Palmas. He is now installing a camp site on Pinofranquedo's outskirts near a fast-running river, and his son is studying geology at Salamanca University.

In El Gasco, the most inaccessible of the hamlets that Marañón encountered in 1922, Domitila Panadero has all five of her children studying in Salamanca and the eldest has qualified as a teacher. She, too, has moved into a new house thanks to earnings from honey and cherry crops, but the slate-built hovel where she was born still stands, occupied now by a mule.

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■ Tom Burns is a former FT correspondent based in Madrid. This article is part of a series of reports on the transformation of rural Spain. Next week: the Basque Country.

FINANCIAL LIM
WATCH
Despite of econo
industries confit
who wrote this s
Doors timely



July 1 in Asia

Joyce's

FINANCIAL TIMES SURVEY

Saturday April 18 1998

WATCHES, CLOCKS AND JEWELLERY

In spite of economic turmoil in Asia, the industries continue to expand. Michael Balfour, who wrote this survey, reports

Doors are open to timely exhibitions

When the world's watch, clock and jewellery businesses gather in Switzerland this week and next, they will be able to reflect on a year in which – for some exporters at least – weaker shipments were more than offset by a move towards higher value products.

Two big Swiss trade shows bring the industry's manufacturers, distributors, wholesalers and the bigger retailers together. They serve first and foremost companies at the luxury end of these markets, but are also a rendezvous for those handling such less glamorous products as inexpensive timepieces, 9ct gold rings and chains, and loose gemstones.

The first of these meetings is the eighth annual Salon International de la Haute Horlogerie (SIHH), which has been open to trade visitors since yesterday in the Palexpo exhibition halls in Geneva, and ends on April 24. This event is dominated by brands in the Vendome Luxury Group. They include leading brands such as Alfred Dunhill, Baume & Mercier, Cartier, Montblanc, Piaget and Vacheron Constantin. This year there are new exhibitors and the top end of the wristwatch industry will be further represented next year.

The other big event is the World Watch, Clock and Jewellery Show in Basle, which admits trade and public visitors between April 22-29. Arguably, this the world's foremost event of its kind. This year there will be 2,349 exhibitors – 612 with watches and clocks, 1,265

with jewellery and related products, such as machine tools and publications.

This is the last year the show will take place in its present buildings. As soon as the show closes, a complex of new halls will be built on the site. The new building is designed by the Zurich architect Theo Hotz and will cost SFr300m (US\$202m).

The historic facade overlooking the Messeplatz is to be preserved.

The location of these two shows underlines the historically central role that Switzerland has played in the watch, clock and jewellery businesses. In 1997, Swiss watch exports passed the SFr8bn mark for the first time, according to the Fédération de l'Industrie Horlogère (which calls itself FH for short). The export figure was up 10.1 per cent on 1996, with demand dominated by Europe and North America.

Growth by value outstripped growth by volume, indicating that customers were trading up in their purchases. In 1997, Switzerland exported 32m finished watches, down 6 per cent on 1996. Exports of plastic watches were down a hefty 22 per cent, but wristwatches in gold cases were up 4 per cent.

The trend in 1996 towards stainless steel models continued through 1997, producing an increase of 27 per cent by unit and 34 per cent by value. The combination of 18ct yellow gold and polished stainless steel in cases and bracelets also continued to appeal last year, with Girard-Perregaux



The new Constellation Chronograph from Omega houses mechanical and quartz movements

cent by value.

Fifteen countries between them accounted for 84 per cent of Swiss exports in 1997 by value, according to the FH. The largest increases were shown in order, by Spain, the Netherlands, Italy, and the United States. The impact of the Asian crisis shows up in these figures in a drop in exports to Hong Kong of 9.5 per cent in the last quarter of 1997. Exports to Thailand fell 18.8 per cent in the same period, thanks both to the direct impact of the crisis and to a 25 per cent increase in customs duties in October.

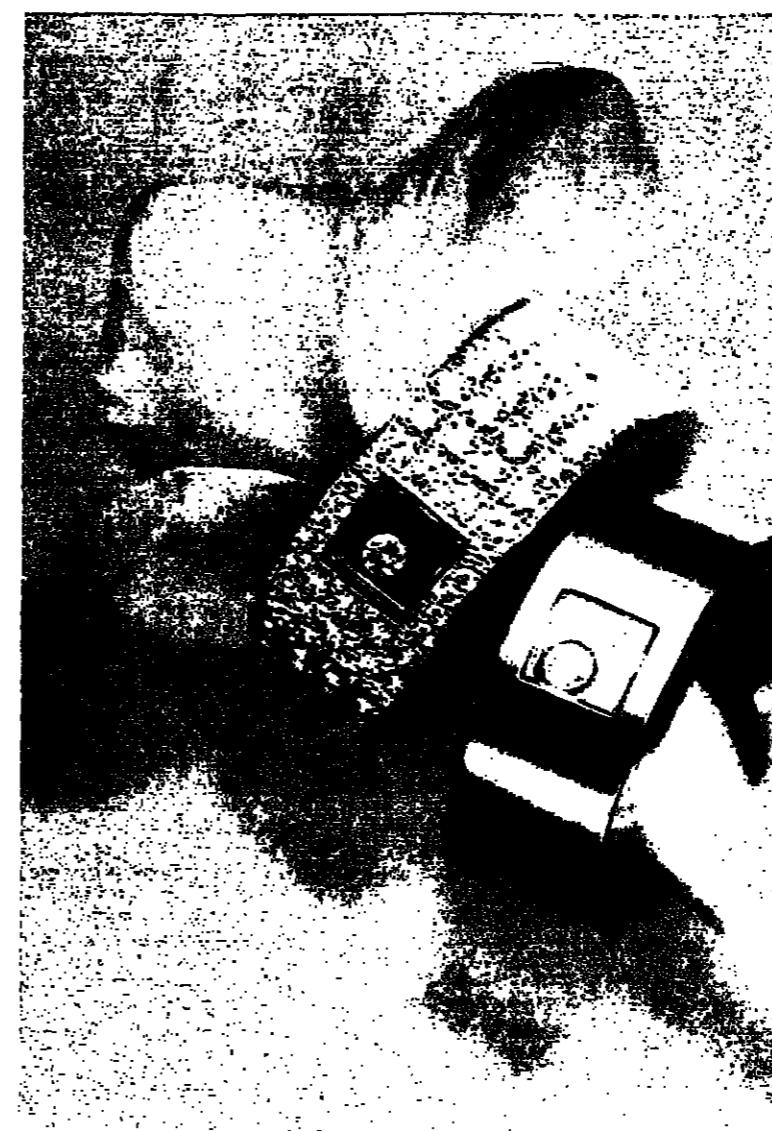
The largest Swiss watch group is SMH, which increased its operating income last year by 53.6 per cent. Its unit sales of watches, movements and stepping motors amounted to 116.1m. This holding company manages brands such as Blancpain, Hamilton, Longines, Mido, Omega (which enjoyed an exceptionally good year), Rado and Tissot.

In the UK, the gap between the luxury and economy ends of the watch market is clearly visible.

SMH also owns the very successful Swatch brand. More than 250m Swatch watches have been sold since 1983, and SMH is changing its name this summer to The Swatch Group of Switzerland. The Swatch brand is now managed by G.N. Hayek, son of Nicolas G. Hayek, the group's 70-year-old founder, who is chairman and probably Switzerland's best-known marketing figure.

Quartz watches dominate Swiss exports by volume, but mechanical watches are still nearly as important in terms of revenues. Last year quartz watches accounted for 91 per cent of exports in units. By value, however, the figures look very different: mechanical wristwatches (wind-up and automatic) represented 47 per cent of exports by value.

In 1996 Hong Kong supplied 68 per cent of the UK market. Switzerland was the next largest at 9 per cent,



Two rings in Chopard's distinctive collection of Happy Diamonds jewellery, which is complemented with a wristwatch range

followed by Japan (5 per cent), the EU (mainly France and Italy, at 4 per cent), and other suppliers at 14 per cent.

Of these sales, 37 per cent take place through jewellers (a declining figure), 27 per cent from catalogue showrooms, 9 per cent by mail order, 3 per cent in fashion and department stores, and other outlets 24 per cent.

Luxury wristwatches – those retailing above £500 –

have 2.6 per cent of the UK market by volume, but 51 per cent by value, and about 50 per cent of these sales occur during the last quarter of the year.

The largest single site retailer in the UK is the David Morris International Watch Room in Selfridges, which handles 25 brands. Last year it sold 16,000 timepieces. The room is moving to a new location on the store's ground floor

early next month. This year's innovations include a £1m diamond-encrusted wristwatch (see picture page 5).

Paul Clayman, managing director of Watches of Switzerland (a subsidiary of the Asprey Group), has noticed a trend towards white metals and platinum for wristwatches with what he calls "minimalist" designs. Diamond-set gentleman's wristwatches do not sell particularly well, he says, but Rolex continues to be his top seller. Watches of Switzerland's Rolex showroom has just moved from New to Old Bond Street. He says other top luxury brands sell well on a leather strap.

Another big UK retailer is the Goldsmiths Group, under the guidance of chairman Jurek Piascik. It now has 128 stores in the UK. Between 1pm and 4.30pm on December 24 last year these stores posted sales of £12.2m.

Big changes in the wristwatch retail industry are foreseeable. One affects the selling environment, and stems from the ending of duty-free shopping within the European Union in July 1999. This will inevitably change the balance of advantage between city centre stores and airport sales, within the EU at least.

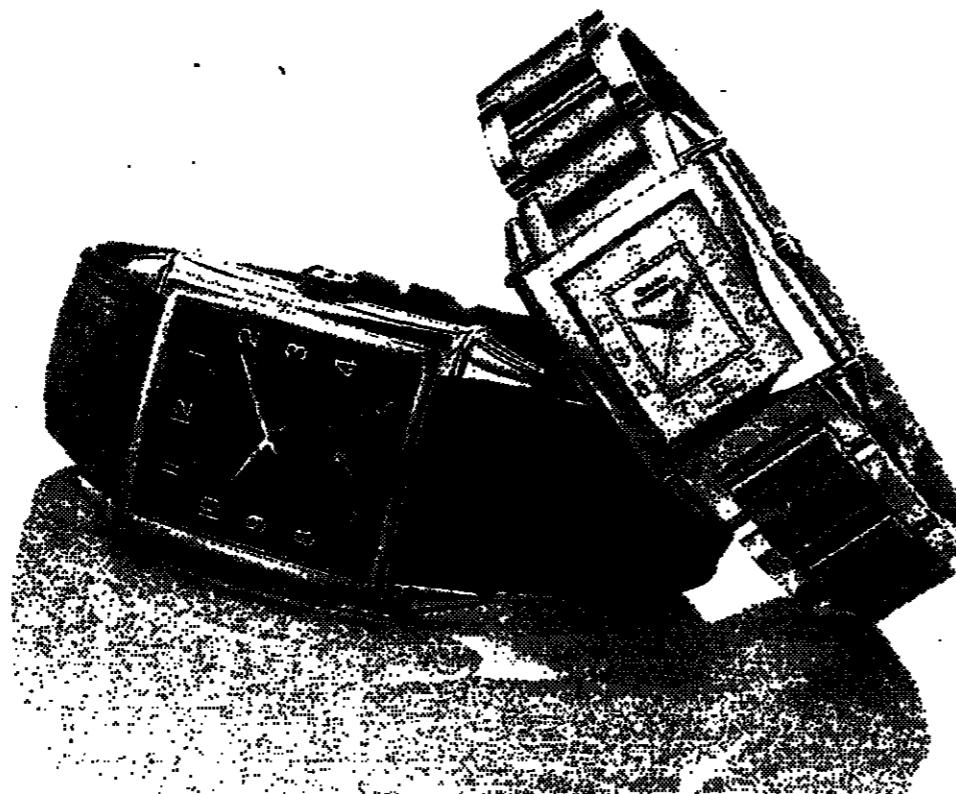
Duty-free shopping has in any case been affected by the Asian crisis. DFS, the duty-free affiliate of France's LVMH luxury goods company, has recently requested extended credit terms from its suppliers.

The second factor at work is another technology shift, spurred by the increasing miniaturisation of computing and communications power. In June this year Seiko will be launching a "computer" on the wrist. The Ruputer, as it is known, will have a 16 bit processor and 128K of random access memory (RAM). It will be compatible with Windows 95.

Meanwhile, Nippon Telegraph and Telephone has developed a wristwatch telephone, which can be dialled through voice recognition technology. In about two years, "ladies who lunch" will be perfectly equipped in restaurants where mobiles are forbidden.

VINTAGE 1945

Collection



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2 WATCHES, CLOCKS AND JEWELLERY

PROFILE Parmigiani Fleurier

Collectors' paradise

What the French call *haute horlogerie* (luxury timepieces) is perhaps the best translation is a manufacturing operation being undertaken in great style high in the Val de Travers in Switzerland, behind a brass door plate which reads *Parmigiani, Mesure et Art du Temps*. This is the factory of 47-year-old Michel Parmigiani in the quiet town of Fleurier and inside more than 60 skilled men and women are fashioning some of the finest timepieces now coming on to the market.

Mr Parmigiani started his enterprise in the area where he was brought up in 1976, and has been determined to restore to Fleurier its watch and clock-making traditions, with almost Quaker-like zeal. The company has in the past seen factories such as Bovet, Jequier, Juvel, Tixier and Vaucher come and go. Indeed, Michel Parmigiani started out by acquiring the fine old Bovet brand name, but he later sold it to Prestige Time in Geneva where it has been separately revived.

The young master Michel started out as a repairer of watches and clocks and today he places great importance on his repair and service department where young apprentices can learn their trade. They learn and he profits from the 10 per cent of the business that flows through him. This undertaking is doubtless a reflection of the fact that the young Michel Parmigiani attended a watchmaking school in Fleurier in 1961-69, and subsequently studied in La Chaux-de-Fonds, Le Locle and Neuchâtel. After his long and arduous apprenticeship he established his own company in Fleurier in 1990 with the highest ambitions. As his beautifully produced catalogue states: "He is the guardian of a 450-year-old tradition, from the elucidating heritage of Renaissance clocks to marine chronometers and including planetaries, automata, striking jacks and music boxes. The culture acquired includes setting off the working material."

The last statement means



Michel Parmigiani determined to restore to Fleurier its watch and clock-making traditions



A new automatic chronograph by Parmigiani Fleurier. Note the unusual date window position

that he and his co-workers rework to a fine degree any parts bought from outside suppliers. For example, Michel insists that each watch screw supplied (barely visible to the naked eye) is polished both on top and around the sides for 15 minutes.

This remarkable attention to detail helps to explain why this company spends 400 working hours assembling a minute repeating watch, and why it takes an incredible 10,000 working hours to make a unique quarter-striking minute-repeating table clock.

The office headquarters of Parmigiani Fleurier are in a very elegant chateau in the middle of the town (of about 4,000 people). Management and other meetings are conducted there in great style, and if there are guests they can visit the small private museum there, which houses some of the fine pieces from the factory just down the road.

In a sense, the word factory is a misnomer, because the company, in any one year, produces between 200 and 350 timepieces. It is arts and crafts here, not mass-production. And these pieces include wristwatches, pocket watches and table clocks – all of them of great complexity and great beauty.

They become instant collectors' pieces. Each bears a unique number, and the first to be hand-engraved was 1950, the year of Michel Parmigiani's birth. So, how

BASEL 1998 WATCH PREVIEW

Something new, something old

The show is the highlight of the year and 100,000 visitors are expected

Six hundred and twelve exhibitors will be displaying their horological wares from April 22-29 in the World Watch, Clock and Jewellery Show in the ancient university city of Basel. This long-established event is the year's highlight for the industry and visitors will be inspecting completely new products in prototype forms and successful stock lines which might stretch back decades. These old stock lines regularly produce profits.

The tooling up costs of a new wristwatch are, of course, substantial. They start nowadays with computer-aided visuals and part designs, and these are quietly discussed with principal foreign distributors whose on-the-ground opinions are always valued.

The Basel Show was first held in 1931. In recent years the general public has also been admitted, for an entrance fee, to enjoy the sight and feel of many millions of pounds' worth of timepieces. Security is tight, and constant and around the clock.

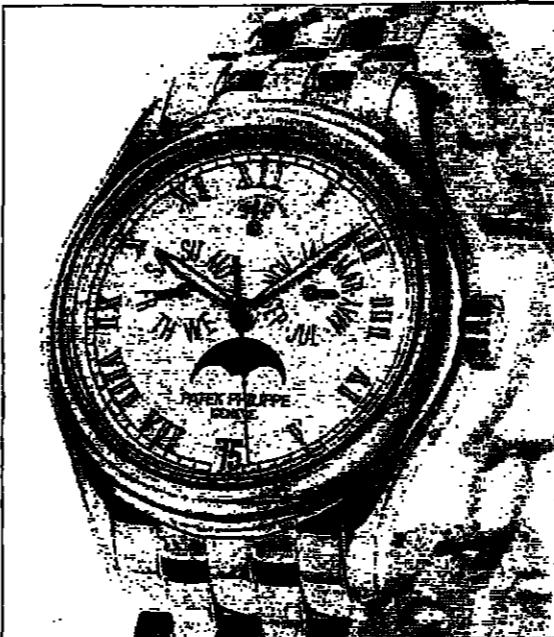
The show authorities crack down very hard on any company or person connected with proven counterfeit products. The problem has become serious in recent years. Cartier, to take one example, spends more than £5m a year in its never-ending battle against the problem. The three brands most faked are Rolex, TAGHeuer and Cartier, which each have distinct and separate markets, and are prominent exhibitors at the show this month.

Rolex has about 1,200 employees in Geneva, and has long been a prominent presence in Geneva. One of its directors, Jacques Duhéne, is the president of the exhibitors' committee of the Basel Show. He is, of course, closely involved with the rebuilding programme for the exhibition halls which commences at the end of this year's Basel Show.

This year the Basel Show offers a web site and a new quality newsletter with a circulation of 20,000 in 105 countries, as it renews its essential contacts with visitors from all over the world.

In terms of units it is generally agreed that the top best-selling brands are Swatch (part of SMH), Rolex (controlled by family trusts), Raymond Weil (privately held) and TAGHeuer.

TAGHeuer International SA saw its sales up 13 per cent in 1997, at \$Fr474.1m, and net income increased by 18.3 per cent. It is following a policy of purchasing its exclusive distributors. Chris-



Patek Philippe's new gentleman's Annual Calendar mechanical moonphase watch. Note the unusual IV



Tiffany's new white gold and diamond watch with a matching bracelet. This Atlas collection appears in the Basel Show



Corum's new Tabogan Racing wristwatch which doubles as a desk or bedside timepiece. It comes in a choice of bracelets

tian Viros recently commented: "We are very pleased with the company's results for 1997, which was a year of significant reorganisation, including the integration of our distribution in the UK, Japan and Australia." TAGHeuer shares are listed on both the Swiss and the New York stock exchanges.

The expected 100,000 visitors to the Basel Show this year will see much to delight them. It is said that Audemars Piguet took 16,400 orders last year.

Jaeger-LeCoultre will be taking the wraps off new Reverso models. Corum will be showing a new automatic version of its innovative Tabogan model, and Eterna will be proudly showing its new Porsche Design collection. Chopard's new black stainless steel Millie Miglia 1998 will be displayed, as will the new Cape Cod Grand Sol by Hermès which is arriving in a diamond encrusted case, and with a mother-of-pearl dial which has pleasantly eccentric Arabic numerals. Bertolucci's Mini Poesie is a hand-crafted elegant timepiece, again with diamonds and moth-

er-of-pearl. Breitling's highly original exhibition booth always contains surprises. This year its new B-One will be drawing the crowds. It is a multifunctional chronograph, incorporating an alarm, perpetual calendar, countdown timer, second time zone function with its own alarm, oversized hands and night time backlighting of its dial – all Swiss made, and probably another winner in Breitling's string of watch innovations which go right back to 1884.

Breitling's Navitimer, a best-seller over many years, will again be attracting new fans and more orders.

Another wristwatch classic is the Eterna-Matic, with its unique ball-bearing rotor automatic movement, and it celebrates its 50th anniversary at Basel this year. The Grenchen-based company is issuing a limited edition of 999 replicas of the original model in stainless steel and 99 pieces in 18 ct pink gold.

This year Christian Dior presents to the trade its first "spring" watch for the wrist. Touch a secret button and up flies the stainless steel cover of the Pandora, to

reveal a quartz-driven time of the day. It comes in a choice of coloured leather straps or a buckled CD motif stainless steel bracelet.

The French watch industry which has 123 exhibitors at Basel '98 has flourished for centuries, and has produced perhaps the greatest innovator, Abraham-Louis Breguet (1747-1823). The contemporary French scene consists of 150 enterprises, of which 38 are pure watch makers, and which in 1997 produced 7.5m timepieces. Exports from the French industry last year amounted to FF13.3bn. Completed watches, bracelets and completed parts contributed FF2.4bn. The principal importers of such products are listed in order by the Comité Français de l'Horlogerie, de la Bijouterie, de la Joaillerie et de l'Orfèvrerie (known as CFHJO) as follows: Switzerland (a surprise

but then there is a shared border), Hong Kong, Italy (notable for its interest in contemporary horology especially if fresh case and dial designs are in evidence), Germany, the United Kingdom, Spain (which has lately taken to importing a fast increasing number of foreign timepieces), the Philippines, Japan (a low place considering its affection for French luxury goods, but the weakness of the yen has affected its market), Belgium (mostly the prosperous Brussels, as its euro dreams draw near to reality), and the US (which has no wristwatch industry of its own).

The new president of the CFHJO is Jean-Claude Herbelin, the CEO of Michel Herbelin, founded in Charenton, Doubs, in 1947, and now producing more than 150,000 wristwatches a year, for its markets in more than 50 countries.

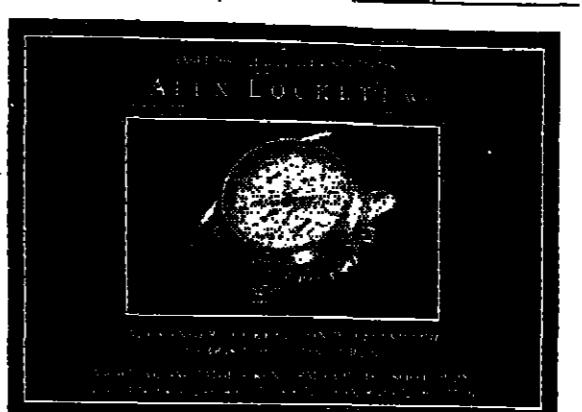


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MARKETING AND BRANDS
Trade

MARKETING AND BRANDS

Trade marks stretched

Companies with world-famous brands are now moving into timepieces

The 1994 Trade Marks Act was confirmation in Britain of the European Union's determination to see registered brands protected so that their owners could obtain benefits and profits and provide more jobs from their initiatives.

The cross stretching of brands into wristwatches can now be witnessed around the world. Next month sees the arrival of Calvin Klein wristwatches in a joint venture with SMH, the giant Swiss watch conglomerate. The main Calvin Klein line consists of, in fashion language, the cool, classic Evidence and Icon models, while the CK timepieces are younger looking and more sporty. The CK watches are variously called Dress, Minimal, Tech and Versatility.

Gianni Versace, the Italian fashion group, has postponed its public flotation until next year, but plans for a new line of wristwatches, designed by the recently deceased eponymous high-fashion guru, have gone ahead, and have been previewed in Geneva this week. The event took place at the elegant headquarters, just outside Geneva in Genfond, of Frank Muller, whose factory in the same place has produced the timepieces in various metal and gemstone settings the three lines, Modern, Vanguard and Three Time Zones, are, of course, exotic, in tune with the Versace projected image. The latter watch uniquely offers three different time zones at the push of a single crown or

Hugo Boss claims to be the number one clothing business in the world. BOSS Hugo Boss wristwatches have recently been launched in international markets. The Metropolis and Spirit collections present an elegant selection of Swiss-made watches, designed by Jorg Hysek, the designer of TAG

Heuer's Sjet range and recent Omega models. They come in the £250-2750 price range. The BOSS Hugo Boss Ranger is being launched this month, and the quartz chronograph, powered by quartz like the rest of the collection, is a stylish thing.

Guess is a prominent example of cross stretching of brands, and its new collection consists of 24 distinct designs in men's and ladies' versions. And they are very elegantly packaged.

There is now a Marks & Spencer wristwatch, sourced from three separate suppliers, Accurist (of speaking clock fame) among them. A Tesco timepiece cannot be far behind if Terry Leahy, chief executive, fulfills his brand expansion plans.

Ferdinand (Ferry) Porsche died late last month. He once said: "In my view, one shouldn't simply package things without being aware of what's inside. You have to know what the object's function is supposed to be and go on from there." On April 1 Eterna and Porsche Design announced a new collaboration and a new range of wristwatches (distributed in the UK by Corum). Mr Porsche's involvement with watches dates back to 1973 and his first chronograph, in association with International Watch Company (IWC on its dial). A pedigree continues. Eterna, now owned by Porsche, the world-famous car marque, opened for business in the Jura mountains in 1856.

For Zeon Ltd, big means many. It is, in terms of timepieces sold, the UK's largest timepiece company with a turnover of more than £20m, and a market share of 15 per cent, according to Mintel. It is a subsidiary of Hong Kong-based Herald Holdings, which was founded in the mid-1950s by George Bloch.

Zeon's great strength is its range of character watches, and it reckons to have about 60 per cent of the market in the UK, with brands such as Action Man, Barbie, Head, 101 Dalmatians, Ingersoll, MTV, Sesame Street, Spice Girls, Superman and Wrangler. Zeon also makes Far

East-sourced own-label

wristwatches for stores such as Disney and Next. Zeon's UK market share is thus easy to understand.

A close competitor for a slice of this market is UK Time, part of Timex Corporation of the US. Timex was once the last assembler of watches in the UK (in Dundee), but trade unions ended that enterprise. Timex is about to launch the new All Day Indigo, which offers the first significant change to a liquid crystal display (LCD) screen since the 1970s. ADI uses holographic film (developed in conjunction with Polaroid), which bends visible light to produce a much clearer digital reading in daylight.

In the early 1990s Timex involved itself with the testing triathlon sport. The result has been rewarding: the Ironman Triathlon wristwatch has now sold more than 15m units worldwide. Personal preferences sometimes mystify; both Bill Clinton and Dustin Hoffman wear one. The triathlon becomes an official Olympic sport at the Sydney Games in 2000.

UK Time, in its market battle with Zeon, also distributes such brands as Acqua, Carriage, Datelink, Disney (some watches, most notably the hugely successful Winnie the Pooh), Essentials, Expedition, Gizmoz, Nautica, Timberland and, naturally, Timex.

Mondaine Watch, based in Zurich, is introducing at the Basel Show its new Stop To Go wristwatch. It boasts the railway station clock function that has fascinated travellers in Switzerland since the 1940s. To guarantee that the Swiss network's 8,000 clocks give exactly the same time, their red seconds hands stop for part of a second at 12 o'clock to provide for renewed perfect synchronisation. Now the Mondaine wristwatch does the same. Mondaine has recently signed an agreement to produce Baby timepieces with the Swiss shoemaker. There are no boundaries in the fiercely commercial world of cross branding.

Innovations in all trades arrive with exciting regularity, and the watch trade is never an exception. For example, The Spirit Chronometer Company is about to introduce yet another brand called Millennium, at around £20 retail. It offers a countdown to Friday, December 31, 1999, via a liquid crystal display window at 6 o'clock, and is also water-resistant down to 30 metres - just in case the millennium computer bomb seriously threatens a wearer's business.

A similar water resistance is available in an Andy Warhol Marilyn Monroe 1962 quartz watch, produced by Zitara in a limited edition of 98 pieces. The plain rectangular case encasing the screen goddess in full colour in the unnumbered dial will appeal to all collectors.

Edenard, founded in Switzerland in 1887 and long a maker of fine timepieces, has introduced an intriguing mechanical wristwatch called 8 Days. A full manual winding produces eight days of power reserve, which a single subsidiary dial at 9 o'clock indicates.

Newer makers are coming forward with appealing pieces. One is the Versailles-based Roger Cornet's line of Trianon. The new stainless steel version shows on the dial part of its mechanical movement crafted by Frédéric Piguet, and it stands out nicely against a simple white dial. More challenging in terms of design concept is the Monuments range by Alfex.

The name may sound pedestrian, but the designs, in stainless steel, by Georg Blum are "puffy" and very striking.

While Breguet is this year introducing a perpetual calendar with a fluted caseband, Hermès has resorted to forests for inspiration for new bracelets. There are now Loquet wristwatches (with hinged covers) on stainless steel bracelets, with skeins of pear wood running along them, while Hermès gold-plated bracelet version features Mexican palisander wood, which is darker. This year at Basel Hermès is having fun with their popular Cape Cod and Clipper models: their leather

straps wind around the wrist twice.

Next month sees the introduction of both round and rectangular stainless steel quartz watches in the Mirros range from Maurice Lacroix, in the £500 price bracket. Notable, too, are the company's Flâne and Selena ranges for the everyday, time-of-the-day market. This price point is probably central to the "special occasion" purchase.

This is where Goldsmiths, the UK jewellery group, comes in. The publicly quoted company, headed by Jurek Piascik in Leicester, last week announced pre-tax profits of £6.9m (£6.02m last year) on turnover of £80m (£70.4m). The company opened 15 new branches last year, and plans to open a similar number in 1998. However, for currency reasons, margins on wristwatches were lower than on jewellery items, but during the rest of this year this imbalance should adjust itself.

Independent jewellers - the mainstay of many county high streets - benefit in terms of margins, from disciplined buying groups, such as the Houlden Group in the UK, chaired by Stuart Laing. The Goldsmiths Group has noted a slight decline in its Rolex sales, and so its margins suffered accordingly in its 135 outlets. Those at present bearing the Welker and Hall banners are to be converted to the Goldsmiths name, and will perhaps power the increasing sales of brands such as Cartier, Gucci and Omega.

The Signet Group (formerly Ratners) also

announced a profits jump last week of more than 50 per cent, under the chairmanship of James McAdam.

Its turnover increased by 6.9 per cent, like for like, to £227.9m to produce pre-tax profits of £6.7m. Its US chain, Kay, outperformed its main competitor, Zales, and accounted for 52 per cent of group profits. The UK companies performed modestly with sales at H. Samuel up 1.8 per cent and at the more up-market Ernest Jones up 7.8 per cent.

Remote shopping is on the increase, and the trend will not reverse in the foreseeable future. Customers are changing their habits. For example, the Centre International de Formation Continue Horlogerie - Bijouterie (Institut CFH), based in Neuchâtel, which on a non-profit-making basis has been serving the industries since 1963, now offers what it titles an "Interactive CD of Watch Product Knowledge". Now a computer owner has access to a pocket-sized training instrument that, with efficient use, can lead to increased brand awareness, sales and profits. The CFH states: "As a person retains 10 per cent of what he hears, 30 per cent of what he sees,

and 70 per cent of what he does, with an interactive CD, he learns a maximum."

Navigating around the internet can be fun, but also profitable for watch collectors. Web addresses are now commonly quoted on stationery and within company literature.

A UK pioneer in the business of reaching collectors of timepieces is Pieces of Time (e-mail: info@analogic-watch.com), run for more than 12 years just off London's Bond Street by Alan Grant and Johnny Wachmann.

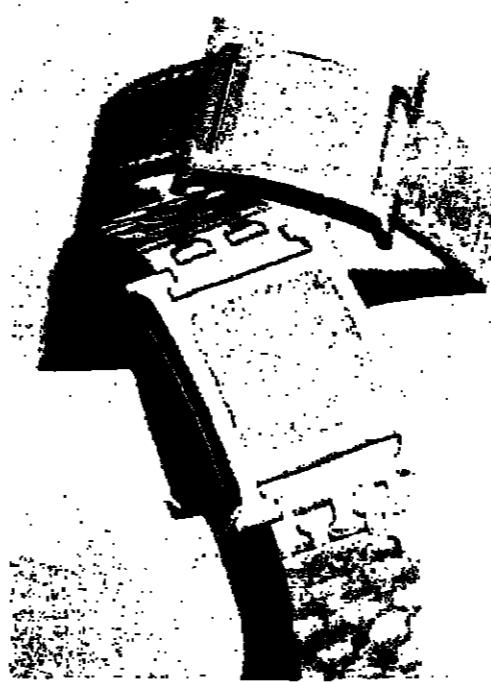
In the markets for new

watches, as opposed to those for "previously owned" timepieces, brand image is all. In its report Planning for Social Change 1997, the Henley Centre, the forecasting organisation, stated: "Brand management is becoming synonymous with 'trust management.' So, because the leading sports goods retailer JJB Sports, chaired by founder David Whelan, recently stressed that the sports goods market is growing by 10 per cent every year, it is no surprise to see a surge of sporting goods' logos arriving as signatures on dials. They go with the flow of energy, as sports brands have become fashion brands, albeit not at the top end of the retail market. As Susannah Hart a director of the consultancy Interbrand, says: 'Brands have a strong social influence on a soci-

ety's sense of purpose, direction and economic growth.'

Reputation and integrity are closely guarded by watch brands. Among the success stories are Adidas, Camel Trophy, Ellesse, Fila, Lacoste and Sector which will be strongly in evidence at Basel. To isolate Adidas, its sportswear revenue in North America alone in 1997 was \$1bn. On the back of that turnover, wristwatches that can accurately time sports events have a clear and profitable position in their market places.

Many luxury watch brands associate themselves with big sporting events which, by themselves attract wide publicity. Cartier and Dunhill sponsor polo competitions. Corum sponsor the Admiral's Cup, thus bringing into annual prominence its famous wristwatch of that name. Chopard is associating itself with the Mille Miglia road race for the tenth year in 1998, and is marking the occasion with a stainless steel round easy-to-read chronograph automatic (of its own making) with a black dial and three ultra-clear subsidiary dials. Its rubber strap is a clever reproduction of a Dunlop treaded tyre, which will be appreciated by the competitors in the Italian race, who will each receive a complimentary model with his or her departure number on the back plate.



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4 WATCHES, CLOCKS AND JEWELLERY

SIHH EXHIBITION

Luxury pieces steal the show

This trade-only event offers ample space for the few invited exhibitors

The Palexpo exhibition halls between Geneva's city centre and the airport are again host to the annual *Salon International de la Haute Horlogerie* (SIHH) (17-24 April) now in its eighth year.

This trade-only event offers ample space for the few invited exhibitors and discreet meeting rooms for the trade. The core exhibitors are members of the Vendôme Luxury Group (VLG), which not long ago was taken private by the South African Rupert family, and include Alfred Dunhill, Baume & Mercier, Cartier, Montblanc, Piaget and Vacheron Constantin (an early 1997 acquisition). Also present will be Yves Saint Laurent and Officine Panerai (acquired by VLG last week), brands which are distributed by Cartier.

This year three independent watchmaking concerns join this prestigious event - Daniel Roth, Gérald Genta, and Parmigiani Fleurier, while Franck Muller will be absent this year. The new exhibitors will further enhance the displays of heritage, craftsmanship and the culture of fine watchmaking.

The SIHH, which is a private organisation chaired by Yves Piaget, is expected to entice further quality exhibitors next year. Already Audemars Piguet, Breguet and Girard-Perregaux have registered for 1999. Patek Philippe has recently announced that it will defi-



A collection of 23 Speedmaster Professionals by Omega, to celebrate the 40th anniversary of the model - the one that went to the moon.

nately not be moving from the Basel Show. Nor is Rolex expected to. About 7,000 trade visitors are expected this year in Geneva.

Johann Rupert, chief executive of Compagnie Financière Richemont, now the fully-owned parent of the Vendôme Luxury Group, has a high appreciation of the qualities of his stable of luxury watches, and while he allows them complete autonomy as long as the figures look good, he has commented: "All our brands, even Cartier, will require a lot of investment over the next 10 to 15 years. As a family-controlled company we can afford to take a long-term view." It is known that sales of jewellery and gold watches increased by 45 per cent in the first half of 1997, and chairman Joseph Kanoul sees no downturn in total sales in spite of difficulties in some markets.

Cartier's Tank Française,

which was launched to huge acclaim in 1996, now accounts for 12 per cent of all its watch current sales, according to Arnaud Bamberger, managing director of Cartier in London. This year at the SIHH Cartier will be launching a new Pasha (the brand goes back to 1933), and this time it is a model specially designed for women, with a choice of three golds - in white, pink and yellow with diamond settings. The polished case is in 18ct yellow gold and elegantly houses the automatic movement. For gentlemen, Cartier this year presents a new version of its Tortue model (which first arrived in 1912 - Cartier nurtures its brands forever, it seems). This wristwatch features a single push-piece within its crown for activating the chronograph mechanism. It has two subsidiary dials, and incorporates the traditional Cartier adjustable deployant buckle

on its alligator strap.

Trade contracts at the SIHH in Geneva will also be taking a very close look at Cartier's new tourbillon bridge intertwined Double C Pasha in white gold. This beautiful transparently-cased timepiece has been developed in association with Girard-Perregaux's exclusive *haute horlogerie* hand manufacturing floor high up in G.P.'s main building in La Chaux-de-Fonds.

Baume & Mercier made a considerable impact last year with its highly successful Catwalk model (which now arrives in an additional diamond-set version). And this week in Geneva it is showing its new Capeland gentleman's version. Baume & Mercier's Hampton brand is the company's best-selling line, and the new K version is being seen for the first time. Eugen A. Maier, president of the company, will be

proud of the trade orders that are bound to be recorded.

Daniel Roth participated in the first SIHH event in 1991, and this year he is back, with his instantly recognisable case shapes incorporating complicated mechanical movements (particularly tourbillons).

Gérald Genta also reappears this year, and is noted as one of the world's great innovative watchmakers. His new Night and Day is on view. He is known for his vastly complicated (a trade term) Grande Sonnerie, and also for a sophisticated Mickey Mouse timepiece.

Parmigiani Fleurier is a first-time exhibitor at the SIHH. Michel Parmigiani started his career as a watch restorer, and in a short time has become a maker of just a few remarkable timepieces a year. Low on quantity and very high on quality.

CLOCKS

When there was little time on hand

The market for simple mantel and wall clocks continues to be steady

The dependency on clocks for the time of the day, instead of sundials, goes back many centuries. A quarter striking church clock not only beckons worshippers but until less than a century ago regulated life in country areas.

In Britain in the first world war such was the scarcity of pocket and wrist-watches among agricultural workers that grandfather and the smaller grandmothers were carried out into the fields each day. The clocks were plentiful because until a little over a century ago there were many thousands of clockmakers all over Britain.

In the 18th and 19th centuries Lancashire and Yorkshire had concentrations of clockmakers, and they also supplied rough movements and special parts to London makers and finishers which were mainly in the Clerkenwell area and the present City of London.

The Worshipful Company of Clockmakers, established in the City in 1631, is one of the 86 remaining companies that are directly descended from medieval craft guilds which controlled trades in the Middle Ages. Organised control of some crafts and trades stretch back to the 12th century. These monopolies were not early trade unions but more like mutual support foundations to further education through apprenticeships and protected trade practices. Switzerland saw the Watchmakers Guild of Geneva established in 1601, and France and Germany set up similar organisations in the same century.

Nineteenth century America produced sturdy mantel clocks in huge quantities, and with the arrival of the coast-to-coast railway system there, clocks were installed on most railway stations, in the days before pocket watches became common. This was before the arrival of the Ingersoll brothers' one dollar timepiece. "The watch that made the dollar famous" was their promotional advertising copy. Town halls and department stores all over the world started to install big public clocks, as a perceived service to passers-by. Tiffany has long been renowned for its steel timepiece outside its store on Fifth Avenue, New York.

In London's Guildhall, the Worshipful Company of Clockmakers maintains and exhibits parts of its collection of clocks and watches, which is probably the oldest in the world. It also has a copy of the earliest known printed book (1547) about a clock by the Italian Michelini, and also a copy of Pietro Bembo's Epistles (1535) in which the first mention of an alarm clock occurs.

Turret clocks have been built into church towers for centuries. A very early English example can be seen in its last resting place - on the floor in Salisbury Cathedral. Copernicus (1473-1543) lent his heliocentric theories to the development of the clock, and Galileo (1564-1642) proved that the length of a pendulum not its amplitude, dictates the time of its swing.

Today, Japan is a world leader in the manufacture of timepieces. The first recorded mention of a mechanical clock in Japan was soon after 1550. About 50 years earlier Peter Henlein of Nuremberg is credited with the invention of the mainspring, and clocks became portable, succeeding pocket sundials.

Thomas Tompion (1639-1713) is one of the greatest of all English clockmakers, and well earned his burial in Westminster Abbey with his developments of lantern, longcase, bracket and carriage clocks.

During the years between 1770 and 1840, France dominated clock making in

Europe. The greatest French maker was Abraham-Louis Breguet (1747-1823), who, among his other achievements invented the tourbillon watch movement and also the Tact watch for the blind.

There are no watchmakers in the UK, but Smiths of Derby flourish with their clock manufacturing. The Merdeka Palace Hotel in Kuching, Sarawak, Malaysia, has installed a Victorian timepiece clock which was started on March 15 this year. Smiths were inspected by the developers of the hotel, and received the order in October 1997. It was installed in good time for the grand opening ceremonies on the 12th of this month.

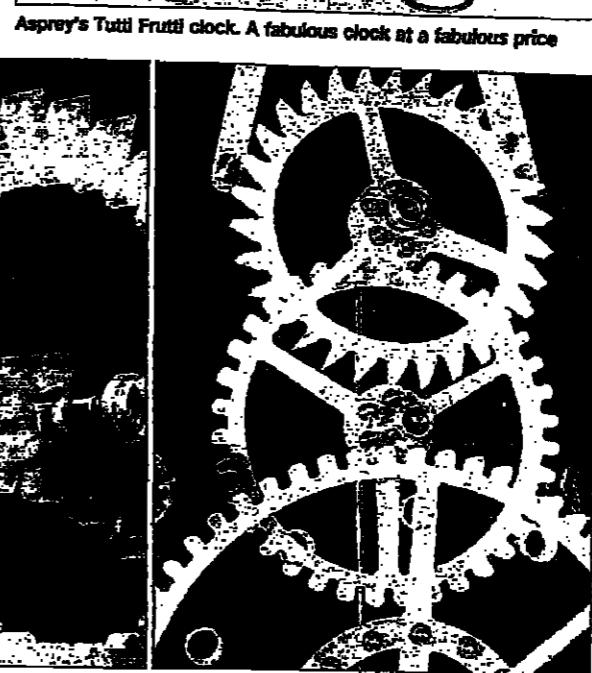
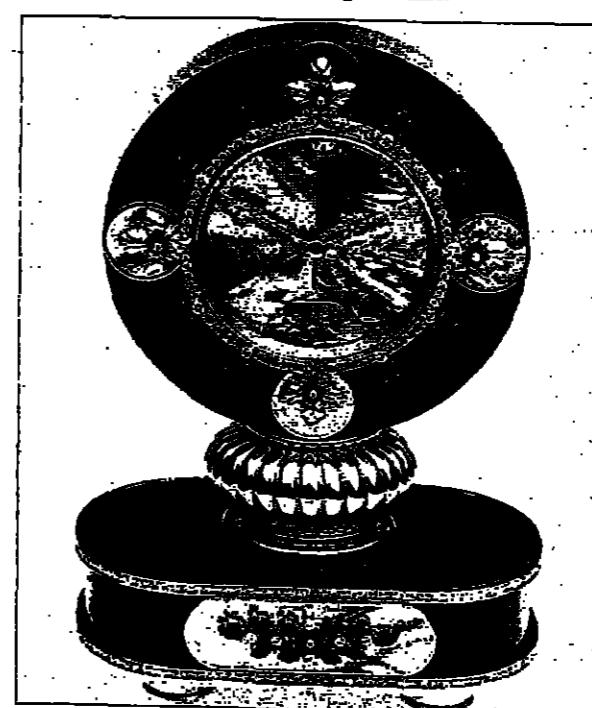
The basic clock took 150 hours to make, is three metres in diameter, in skeleton form, and has a special master clock to keep the main piece going for up to five days without power. The clock's comprehensive bell sound system is programmed to give the familiar Westminster chimes at each quarter of an hour, and it also plays specially produced Malaysian tunes. So delighted was the client that the manufacturer's company logo is illuminated on the dial at night.

On a smaller scale, the Rapport family company is celebrating its centenary this year in Cardiff. Its best seller is the carriage clock - still with a handle on the top to hang it up in horse-drawn carriages.

Asprey, in London's Old Bond Street, regularly stocks antique carriage clocks, which can cost up to £16,000 and more. Early English examples do well. These are not rivals to the clocks which the London Clock Company imports, mainly from the Far East, with European dial names. The market for simple, inexpensive, everyday quartz mantel and wall clocks continues to be steady. Seiko add a "tick" to their wall-mounted kitchen clocks.

Innovations continue to abound. Vittorio Scialla of Diamant Clock Company, based in Turin, has produced a wall clock called Absolut made entirely of glass - movement and all. Van Cleef & Arpels have produced a new and expensive gyroscope "mystery" clock called Galilée, and it really is impossible to work out how it gives the time, unless you are in on the secret.

At the other end of the scale, less than £20 buys a quartz Bird Song clock. When the hour hand reaches a depicted bird, its song will sound - and they are all different. And, it goes quiet at night when household lights are turned out. But, like all good clocks it goes on showing the time.



The Basic Show witnesses a long trade tradition

as well as

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and

antique dealers

and

silversmiths

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goldsmiths

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silverware

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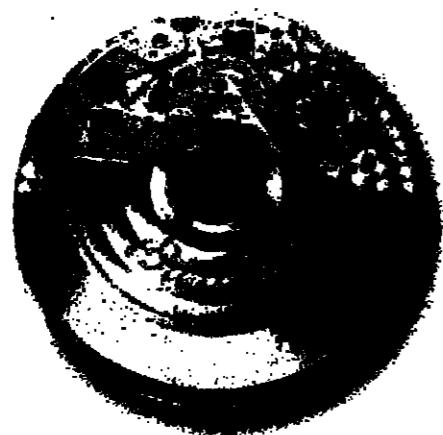
CHRONOMAT FOR EVER

Success Story

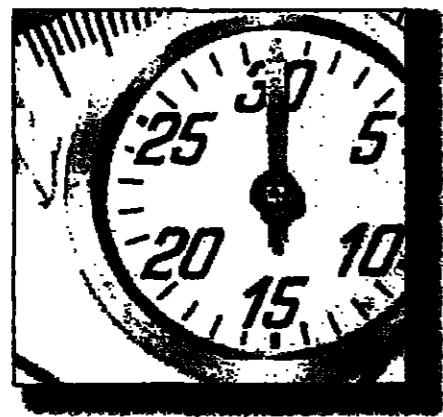
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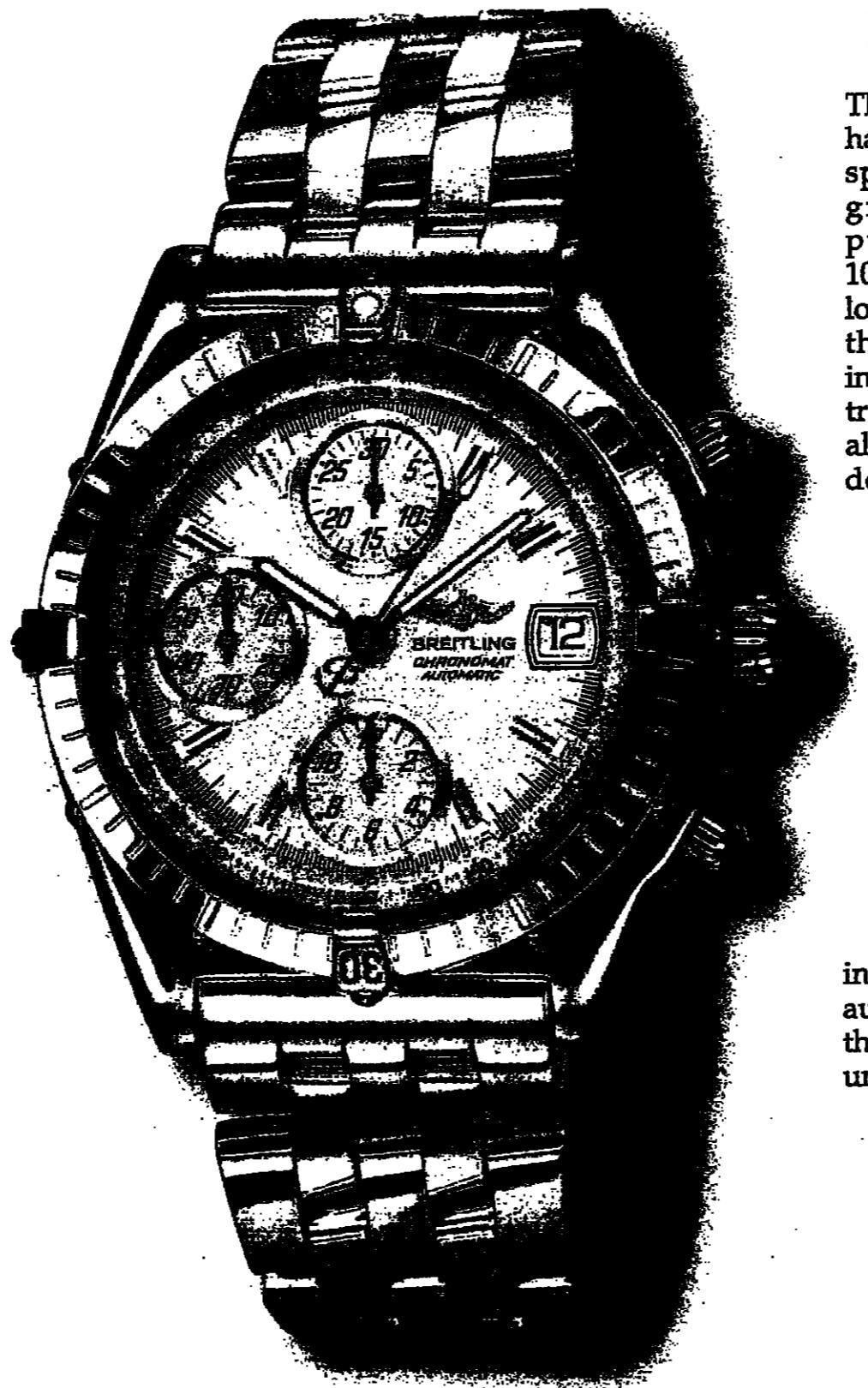
Consistent improvements have been made to each detail of its face and case,



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*GT stands for Grand Totalizers
and their excellent legibility.*



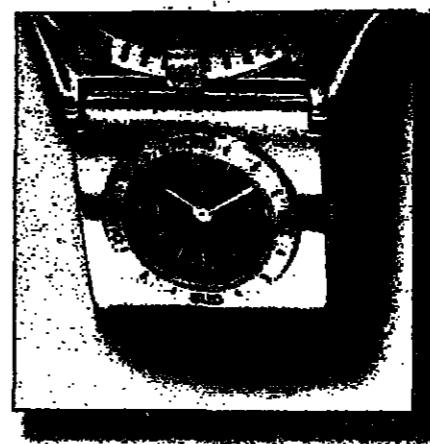
CHRONOMAT GT MECHANICAL CHRONOGRAPH

Selfwinding, with 42-hour power reserve. Water-resistant to 100 meters. Steel, two-tone, steel/gold, 18K yellow or white gold case. Wide choice of dials. Available on all types of BREITLING leather straps, or on PILOT or ROULEAUX bracelets.

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High-tech with style

Throughout the century, BREITLING has invented many original functions specifically designed for chronographs, including the second pushpiece, analog and digital 10-minute counters, the slide-rule with logarithmic scale, and more recently the EMERGENCY, the first wrist instrument equipped with a micro-transmitter. Nevertheless, it is above all distinctive styling and a wealth of details which make a BREITLING



instantly recognizable, such as the auxiliary UTC module fitted between the lower part of the case and strap: an unmistakable trademark feature.



The race goes on

9 days, 17 hours and 55 minutes: In the course of its attempted non-stop round-the-world flight, the crew of the BREITLING ORBITER 2 has set the absolute duration record for a manned flight without refuelling. It's a date for next winter!

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WORLD TIMERS

The best of all worlds

Most of the leading brands cater for international travellers

A conference in Washington DC in 1884, after much discussion, divided the world into 24 time zones, which have remained unchanged to this day. The time lords invited were only the allies of the United States, and France was the country which initially created the most controversial questions. Soon it was decided that Greenwich, and not Brest, would be recognised as 0 degrees longitude - but it was agreed that the proceedings would be printed in French as well as in English.

As ever the Swiss were quick into the market for universal timepieces, with the railways and ocean-going liners bringing an awareness of this new focus on the time of the day. The International Museum of Horology in that great watchmaking centre, the town of La Chaux-de-Fonds, has on display a pocket watch made by JL and A Béguin in 1885 in Tramelan in the Jura mountains. At this time the town was busy manufacturing

timepieces. The pocket watch was dubbed a spherometer by its constructors: it had two sets of dial markings, one within the other - one for the universal hours and the other for the exact minute of the meridian in the city names depicted. This beautiful enamel piece has a diameter of 62mm.

The same museum possesses an earlier view of time. It is a French-made pocket watch, c.1783-1793, which shows the Republican 10-hour day and a 30-day month, as well as Gregorian

Special incorporated for Portuguese patrons were,

for example, times of the sunrise and sunset in Lisbon, the northern hemisphere sky above Paris and Lisbon correctly depicting 236 stars above the French capital and 560 above Lisbon, a compass, a barometer, an altimeter, the time in 126 world cities, the seasons with their solstices and equinoxes, the months of the year corrected for leap years and a year indication for the following 100 years. This incredible timepiece is now exhibited at the Museum of Time, Palais Granvelle, in Besançon. The curator there does not know if the year date window understands the concerns of the millennium "bomb"... it was, after all, launched in 1900.

metal strip on its foreshore to proclaim the fact.

Perhaps the most remarkable world timer was finally achieved by the French House of Leroy in 1900, when its pocket watch won the Grand Prix at the Exposition Universelle in Paris. It took five years to construct, and involved 26 complications (different functions), 975 different parts at four different levels between platforms, with an 18ct yellow gold case weighing 226 grammes.

Special incorporated for

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Today, most of the leading watch brands have in their catalogues a world timer wristwatch, at a time when international business travel is steadily increasing. Global travel, both for business purposes and personal pleasure, will never, short of some international catastrophe, decrease, and watch manufacturers are therefore sure to correct in their market assessments.

The Swiss-maker Oris has just launched its Jules Verne World Timer in a numbered limited edition of only 250 pieces, in a round 18ct pink gold case, with an automatic mechanical movement. It has on its dial two separate adjustable subsidiary time dials and a forward/reverse date switch, and it has a date window at 6 o'clock. Even the buckles on the crocodile leather strap are 18ct rose gold. Oris has also produced a handsome non-limited version with a black dial at a more modest price, with a choice of bracelet or strap.

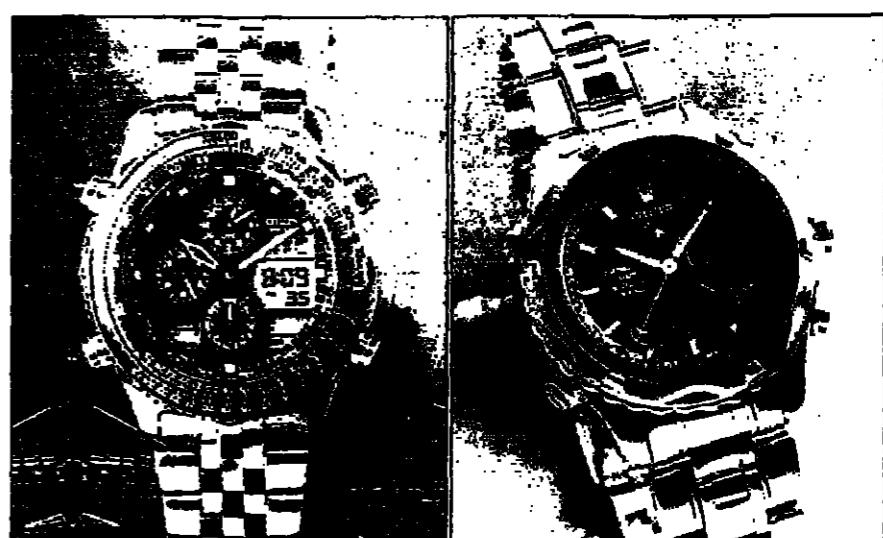
The London jeweller Theo Fennell has produced an own-brand duo-time wristwatch of classic simplicity. The whole dial and the two time dials are on the same side of the bezel at 6 o'clock. In platinum, at £16,000 retail, it is a fine present for a company chairman who travels the world.

Breitling's Aerospace Minuteman also offers two time zone indications, but with this difference - the wearer can obtain an audible indication of the hour and the minute simply by pressing the winding crown.

The Citizen Promaster Navis gives indications of the date and time in 24 capital cities in a digital display at the touch of a button.

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WATCHES, CLOCKS AND JEWELLERY 5



Citizen Promaster Navis (left) which tells the time in 30 cities worldwide at the touch of a button. Citizen Promaster Eco-Drive World Timer (right) which tells the time in 24 cities worldwide at the touch of a button. This watch is powered by light and needs no battery change

Time is an eye-catcher, in its horizontal oval case. It has an automatic movement, as does the Royal Oak Dual Time by the same maker. The Royal Oak wristwatch, with its ship's porthole appearance, has been popular since 1972.

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